GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY

HEARINGS

BEFORE THE

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE OF THE HOUSE OF REPRESENTATIVES

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GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Thursday, January 2, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF MR. WILLIAM B. COLVER, CHAIRMAN FEDERAL TRADE COMMISSION—Resumed.

The CHAIRMAN. The committee will please come to order. Mr. Colver, you can take up your line of testimony and proceed in your own way for the present and make any additional statement you desire to make until you are interrogated by members of the committee.

NUMBER OF CONTROLLED AND PARTLY CONTROLLED COMPANIES.

Mr. COLVER. Mr. Chairman and gentlemen of the committee, we had spoken of the very great extent to which the process had gone of bringing together in a relatively small group the control not only of the meat-packing business but of related and unrelated businesses. That was a sort of general statement. Specifically, I should like to say now that the number of companies which the Federal Trade Commission's investigation has shown to be subsidiary to or affiliated with the five large packers is ready to be shown this morning. The statement is taken as approximate and subject to slight revision; approximate in that the Federal Trade Commission does not pretend to say that it has discovered all the concerns or companies or business enterprises which are controlled either by total ownership or partial ownership, or contract for marketing, or taking the entire product of a company or otherwise.

We do not say we have found them all. The number known to be controlled by one or more of the packers I will show you when I come to a table which I am about to read; then the number in which one or more of the packers have a minority interest; and finally the number of companies in which they are interested, but in which the extent of their interest has not been ascertained. There are 665 companies that are controlled, and of those 125 are trade-name companies; that is, companies either not having any corporate existence, or companies legally organized but not engaged in active business, although their names are used as trade names. The number of companies in which one or more of these five large packing concerns —that is to say, Armour, Swift, Morris, Cudahy, and Wilson—have a controlling interest is, as I say, 665. Of those, 540 are active companies and 125 represent trade names. A minority interest is held by one or more of the five packing concerns we are speaking of with respect to 35 companies, and there is an interest, the extent of which has not been ascertained by the commission, to the number of 50, which brings the total of companies up to 750.

I had expected to have and hope to have before the hearing this morning is over a tabulation showing what these commodities are and how far they are divorced—not divorced; quite the contrary of divorced—but how far they are from relation to the meat-packing business. This list I hope to have here, as I say, before we close this morning, and until it comes I will not try to say from memory how many of those commodities there are nor will I try now to give a list from memory.

The CHAIRMAN. You can put it in as a part of your hearing.

POWER TO CONTROL WHOLESALE AND RETAIL GROCERY TRADE.

Mr. COLVER. It is being written and as soon as it comes in I will put it in the record. I am sorry that list is not here for the reason it had been thought it would be interesting this morning, and perhaps this is the proper place in the record to bring it to the attention of the committee and to show them definitely what we mean when we speak of the bringing together of related and unrelated commodities in single or narrow control or in a few hands. A study of that list by the committee will show, I think, what we mean when we say that a very great, in fact two very great nation-wide industries of the country are actually threatened as to their existence by this present tendency. I speak of the canning industry and of the wholesale grocery industry.

I may say that since I said before the committee the other day that if the present tendency were continued the wholesale grocery would disappear as an independently operated business in this country in five or six years and that the retail groceries, as such, that is as independently operated concerns, would just about be due to disappear in 10 or 12 years—I do not like to quote things where I can not give the name of my authority, but in this case I am going to speak of a letter which was written me with the request that the writer's name be not used. The letter is from an executive officer in a very large or relatively large, we will say, chain grocery store concern, and he called attention to the statement which has been made before this committee by myself that the retail grocery would tend to disappear under the present tendency within 10 or 12 years, and he said that that was not only absolutely true but that these concerns had now the power and the facilities for doing in 10 days at any time that they might so desire what we had said might be done in 10 years and where we said that the present line of progress indicated that it would come to pass in 10 years. We have received many letters——

The CHAIRMAN. Mr. Colver, may I interrupt you right there? Is it your purpose to state somewhere in your hearing the reason why you make that statement and what the evidence or the facts are by which you arrive at such a conclusion?

Mr. COLVER. Yes.

The CHAIRMAN. I do not ask you to do it now.

Mr. COLVER. The opinion is based upon two things by the commission, broadly speaking. The first is that in the tracing of the operations of the meat packers, both the big packers and the small, independent packers, the commission found a very rapid increase in the number of commodities that were being handled through the branch houses of the packers.

Attention was first drawn to that directly because as a part of this food investigation undertaken at the direction of the President and of Congress and of which the meat-packing industry investigation was only a part, the subject of the canning industry, both canned vegetables treated separately and canned fish, was carried forward as separate parts of the general investigation, and without any reference at that time, or without any intercommunication, perhaps, between the men who were investigating the meat-packing industry and the men who were investigating vegetable canning and the fish-canning industry.

As to the vegetable canning and salmon canning, it was very soon found that the packers, the five great packers, or some of them, were extending very rapidly into those two industries. That attracted attention to their extension into fields which related to meat substitutes, food products in general, and then later led us on to find that they deal in such unrelated things as coal, for instance.

To answer more directly your question, then, finding that this widening of the sphere of influence, first having had our attention attracted to it, then we observed the rapidity with which it was going on and the extent to which it was going on, until, as I say, it was summarized in the finding that some 750 different companies have been either, with respect to 665, actually controlled, or with respect to the whole 750 either controlled or steps being taken which in the cases of the 665 have led to control, and we found that was going on very rapidly.

The CHAIRMAN. Do I understand that those 750 companies are not strictly meat-packing industries?

Mr. COLVER. Oh, no; very many of them are not. Then, following that, we come to the second endeavor on the part of the commission upon which we based the opinion that the wholesale grocery business is threatened with annihilation or absorption. This was the sending of a questionnaire to the wholesale grocers of the country to get their composite opinion; the best judgment of that industry on the present tendency, and get their view of the situation with respect to the extension of the packer activity into their fields. That brought to us a mass of information and expert business judgment and opinion. I am sorry that this morning I have not that boiled down in sufficiently concentrated form to have it really useful for the record. We can do that. We tried to be ready with it this morning, but we have not succeeded in doing it. I might give you—and I take this paper at random and it is not selected——

The CHAIRMAN (interposing). It is your purpose, as I understand it, to file and make a part of your hearing this compilation that you are having prepared?

Mr. COLVER. Yes, Mr. Chairman.

(This material was subsequently furnished, and appears on p. 68.)

I say I take this digest of one of our questionnaires with replies at random and I shall not use all of it, but I want to give you an idea as to how one concern viewed this thing.

VIEWS OF R. C. WILLIAMS & CO.

R. C. Williams & Co., importers, exporters, and manufacturers of food products, of New York City, were sent the questionnaire by the Federal Trade Commission with respect to the competition of the big packers in the wholesale grocery business. These questions were then

submitted by the company to their representatives in various parts of the country, their salesmen and their representatives, to the number, I believe, of 28, scattered all the way from Lewiston, Me., to New Jersey, Connecticut, New York City, South Carolina, Scranton, Pa.—I am giving you this to show you the scope of this company—and Birmingham, Ala. If it is desirable, this can go in the record in detail, but I will not take your time now with reading it all, but will just give you the reply that was made to the question—

To what extent has the wholesale grocery business been cut into by the big packers in the locality in which you travel?

That is, these are questions addressed to the salesmen to report as to their territory, and, as I say, this one company was able to give us a general survey that extended from Maine to Alabama, and west as far as Scranton, Pa. One man reports "50 per cent at least—constantly growing—wholesale grocers will be out in 20 years."

Another man says every week they have some new special which opens up business for their other foods.

Another says 15 to 20 per cent; not including butter, eggs, meat, etc.

Another says they cut heavily, particularly in canned goods and cereals.

Another says, naming the customer, William H. Jordan, of Yonkers, formerly bought large amount from us; they now buy a full line from Armour, right down to coffee.

Another estimates the cut at 10 per cent and that is at Mechanicsburg, Pa.

Another one estimates the cut in the wholesale grocery business by the packers at 20 per cent.

Another one says 50 per cent on canned goods and other items.

Another one says 25 per cent of the total business.

Another one says not less than 25 per cent.

Another one says 25 per cent.

Another one says 25 per cent.

Another one, Brooklyn, N. Y., says 10 to 15 per cent.

Another one says: Have taken practically the whole business in canned meats and cereals.

Another one says fully 25 per cent.

Another one says fully 25 per cent.

Another one says inroads big—selling everything but sugar and flour and a few other nonprofitable items.

And this answer, which I had not seen before, suggests something that perhaps we can go back to briefly later and show generally the direction which this invasion or this inroad has taken. I think it will be susceptible of proof to say that the inroads which have been made in those items which the wholesale grocers handle, generally speaking, that yield the greatest profit in the handling, and that the least profitable things have been left to the wholesale grocers to go on with, so that the percentage of the volume of business that has been taken does not represent the percentage of the prosperity of the industry that has been taken.

Another one of these men said 15 per cent in canned goods.

Another one says 10 per cent of total business.

Another one says canned goods, 30 per cent.

Another one, New York City, says, let the packers continue to combine as now—and that does not mean combination among them-

selves, it means combination of these various commodities in their control—let the packers continue to combine as now, and in a few years there will be no jobbers.

Another one says in meat, pickles, cereals, it is at least 50 per cent.

Another one says about one-eighth of the business.

Another one says 25 per cent, including dairy products.

The CHAIRMAN. These gentlemen reporting now are the salesmen of that one concern?

Mr. COLVER. These are the representatives, as I understand it, of one concern which I picked up out of my pile of papers here, and which I had not read myself until I picked it up here.

The same men answered the question:

What is the explanation of these inroads by the big packers?

And the answers I will read briefly.

One says branch houses in all districts; can supply trade on short notice.

Another one says prices on some of the canned goods, rice, cheese, etc., are close to our cost. They plan to first secure the business, then increase the profits, which they must and will do. The existence of their plants in all cities and their delivery service is a factor.

Another says local houses—meaning the packers' ownership of local houses—and delivery service; lower prices.

Another one says principally price.

Another one says cut prices with the eventual object of killing all competition.

Another one says packers claim to handle additional articles at no extra expense, thereby selling cheaper. So they add all the overhead onto the cost of distributing meat where they are limited to the 9 per cent.

Another says branch houses sell and hold goods, delivering as wanted for several months canned goods, cheese, etc.

Mr. ESCH. Is that 9 per cent the limit fixed by the Food Administration?

Mr. COLVER. I assume that is what they are referring to.

Mr. HAMILTON. What do you mean by the limit fixed by the Food Administration at 9 per cent—9 per cent profit, or what?

Mr. COLVER. The regultion of the Food Administration was a limit of 9 per cent net profit on the investment employed in the sale of fresh meat—not only fresh meat but all meats and primary live stock—by-products, including wool and butterine, car lines, and cold storage.

The CHAIRMAN. And the overhead was all charged on the meat so as to enable them to sell the other commodities without overhead charges being added?

Mr. COLVER. That is what this man says. I do not adopt that statement. I am simply reading what this man says. At some other time we can make, if it is desired, a statement concerning that rather more in detail.

The CHAIRMAN. I just wanted to know what this statement itself was.

Mr. COLVER. Yes.

Another one gives as his reason combination sales as the advantage that the packer has.

Another one says impressing the retailers that they are manufacturers and packers and so giving them the opportunities of direct buying, indicating that there is a saving to deal with the packers rather than to deal with the wholesale grocers.

Another one says—let us see who he is. N. H. Suirberian, 56 Hudson Street, New York City—Government having controlled profits on meats and their by-products, the packers are entering fields of approximately 9,000 different articles, most of which are not under regulation.

I do not adopt that figure of 9,000, it is a very large figure.

Another says the roads are full of their specialty men. They bring their goods to their branch houses without expense by loading them into their meat cars with no extra freight being charged.

The CHAIRMAN. That is, in the freight cars which the packers themselves own.

Mr. COLVER. Yes; the cars that are owned by the packers, and also the advantage that might lie in being able, in handling a very great number of products, to fill out a car and get a carload rate on a mixed lot of freight, giving somewhat of a freight advantage; a very definite freight advantage. This salesman's statement of that situation, however, I do not adopt.

The CHAIRMAN. You can get in that way a carload rate on less than a carload quantity?

Mr. COLVER. Yes. Without reading it, unless the committee wishes it to be read, I should like to include here a statement printed in the New York Journal of Commerce September 9, 1918, in the grocery section of that paper, having to do with this subject.

The CHAIRMAN. All right; you may include it as a part of your hearing without reading it, if you so desire, or you can read it.

Mr. RAYBURN. Are you going to read it?

Mr. COLVER. Do you want me to?

Mr. RAYBURN. Yes; I would like to have you.

Mr. COLVER (reading):

[From New York Journal of Commerce, Sept. 9, 1918—Grocery section.]

HOW THE PACKERS MENACE THE GROCER—MANY UNFAIR ADVANTAGES LEAD TO MONOPOLY—PRIVATELY OWNED CARS HAVE PREFERENTIAL TREATMENT ON RAILROADS, SAYS FORT SMITH JOBBER—PICKING THE PROFITABLE ITEMS FOR EXPLOITATION.

Reports from several of the wholesale grocers' associations indicate that the recent request of the Federal Trade Commission, that secretaries canvass the trade opinion of their members and ascertain how the wholesalers feel about the competition of the large packing houses, is finding no reluctance whatever on the part of the grocers to giving their views. Hundreds of the replies are being canvassed by the secretaries at present, and they generally reflect much animosity toward the policies of the packers for enlarging the scope of their operations.

In a letter to the Journal of Commerce, the Reynolds-Davis Grocery Co., of Fort Smith, Ark., one of the largest houses of the Southwest, expresses its views of the influence of packers in the grocery trade as follows:

"The following packers are selling goods other than meats and lards in our territory: Swift & Co., Armour & Co., Morris & Co., Wilson & Co., the Dold Packing Co., and Cudahy Packing Co. This last concern distributes its goods through the wholesale grocer.

"At least four of these packers are handling canned fruits, canned vegetables, canned fish, rolled oats, rice, canned sirup, evaporated fruits, canned milk, dried beans, tomato catsup, and other things which I fail to remember at this moment. The advices of our salesmen are almost daily of further inroads of the packer

"In dollars and cents we are not able to make an accurate estimate of the volume of the packer's business or to what extent the wholesale grocer has been curtailed, but if the present conditions continue for the next five years in the same ratio as the last five years, the wholesale grocer will be left only sugar and flour.

"Should the packer contend that he is an economic necessity, in the distribution of foods other than packing-house products, it is well to remember that thus far he has taken on only those things which are the most profitable and the easiest handled.

"It is well to remember that the average wholesale grocery business is composed of at least 35 per cent of sugar and flour and it must be borne in mind that the average profit of this 35 per cent of a grocer's business is anywhere from 2 to 5 per cent beneath his average cost of doing business, and if you take away from the wholesale grocer the necessity for always being prepared to serve in these two daily essentials, then it might alter his margins of profit and reflect upon his selling prices.

"The packer sells for cash and collects his accounts each Monday morning. It is his custom to allow to each customer a given line of credit which must not be passed. On the other hand, the wholesale grocer becomes the banker in merchandise for his retail customer. Courtesies, credits, and accommodations are extended, and in all probability the average retail grocer is indebted to his wholsesale grocer to the extent of such an amount as will be the half of his net worth.

"The biggest and most vital unfair asset which the packer has is his privately owned car or leased car with its low carload minimum. Fresh meats take 24,000 pounds, cured beef, pork, mutton, lard, and lard substitutes, 30,000 pounds; and practically all the other items that enter into the wholesale grocery business from 40,000 to 60,000. With this low minimum weight and with the privately owned car the packer is permitted to ship anything and everything that he may see fit, with the proper rate of freight attached, and in this car.

"Meat and packing-house products are 'red-ball' cars; they move swiftly and in this way the packer gets quick delivery on all of the goods which he ships.

"The wholesale grocers' shipments must take their usual course of shipment in whatsoever car they may be placed, with transfers at transfer stations and with delays that are hurtful to business. The packer should enjoy no privileges not allowed to other shippers, and so long as he has a privately owned car with special privileges he has an unfair advantage over all other shippers.

"A closer investigation should be made into the packer's method of doing business, and especially those packers who do a meat and lard business and a wholesale grocery business also. It should be ascertained whether or not the proper cost of doing business is allocated against each and every item or department.

"Should the packer succeed in obtaining such a control of distribution of foods as would eliminate the wholesale grocer, it follows as the night the day that the independent manufacturers whose goods are now bought and sold by the wholesale grocer would at the same time pass out of existence or be absorbed by the monopolistic packer.

"It further follows, as the sparks fly upward, that the wholesale grocer who is selling agent of the independent manufacturer would wither away with the independent manufacturer, and with the passing of the wholesale grocer the retail selling of these very same goods would, in the natural order of sequence and in the chain of distribution, pass from the retailer to the packers' retail stores which are being established at this time.

"So the growth of the packer in the distribution of foods jeopardizes the existence of the independent manufacturer, of the wholesale grocer, of the retailer, and finally, when things are centered in the hands of one control such as the packer, the foods would naturally be enhanced in price to the detriment of the consumer. The packer would have absolute power, and absolute power has always been abused."

SOUTHERN WHOLESALE GROCERS' ASSOCIATION.

The Southern Wholesale Grocers' Association, in August, 1918, considered this whole matter, and here is a resolution which was adopted by that association.

The CHAIRMAN. What is the date of it?

Mr. COLVER. August, 1918:

Whereas it has been the custom of the wholesale grocers to devote their capital, time, and energy to the distribution of foodstuffs without interfering in any marked degree with the industries of the manufacturers; and

Whereas for the past few years the packing industry of this country has shown a determination to gradually and persistently enter the various lines of the wholesale-grocery trade, both in a manufacturing and in a jobbing way; and

Whereas with the assistance of various special privileges and facilities accorded to these industries, with their enormous capitalization and Nation-wide interests in various enterprises, this promises to grow into the control of packing, manufacture, and jobbing in foodstuffs in gigantic proportions, and giving them the opportunity to control the foodstuffs of the country without, in our opinion, in any manner lowering the costs to the ultimate consumer, contrary not only to the established channels of trade, but contrary to the public interests and to our national policy: Therefore be it

Resolved, That the association meet this issue in every legal and proper manner so that distribution by manufacturers and jobbers be maintained under our present fair and equitable laws of competition, and that the life of these many enterprises of independent manufacturers and jobbers be preserved.

Mr. HAMILTON. Mr. Chairman, may I ask a question right at this point?

The CHAIRMAN. Certainly.

Mr. HAMILTON. Mr. Colver, in reference to the Southern Wholesale Grocers' Association, how much territory do they cover?

Mr. COLVER. Generally speaking, that section of the South beginning with Virginia and extending west to the Mississippi River.

The CHAIRMAN. East of the Mississippi River and south of the Ohio and the Potomac Rivers?

Mr. COLVER. Yes.

Mr. HAMILTON. That association comprises, as its name implies, I suppose, all the wholesale grocers in that area?

Mr. COLVER. I would say substantially all. I venture to say that the percentage of representation is at least 90 per cent.

Mr. HAMILTON. Do they compete among themselves?

Mr. COLVER. I think they do. I am sure that we have found in all parts of the country that there is pretty severe competition in the wholesale-grocery business.

Mr. HAMILTON. Is there not danger that an association like that might have something in the nature of a gentlemen's agreement as to prices?

Mr. COLVER. There is danger there, of course.

Mr. HAMILTON. Have you investigated to find out to what extent there is an understanding among them as to the prices they shall charge the retail grocer and consequently the consumer?

Mr. COLVER. In 1907 or 1908 I believe this association, or its predecessor, was enjoined by a Federal district court from price agreements or gentlemen's agreements or understandings, and since that time, or at least in very recent times, a pretty careful survey by the Federal Trade Commission has not found that condition to exist; and it is our impression, at least, that since the action of the court in 1907 or 1908, that course of conduct has not been followed.

Mr. HAMILTON. And yet we have heard of cases where, notwithstanding injunction, the members of an association have followed prices fixed by the leaders in the association without having any written agreement to that effect, and human nature has certain tendencies. I was wondering whether those tendencies manifested

themselves among the wholesale grocers, or whether they were exempt from those frailties of human nature.

Mr. COLVER. I do not think they are exempt from the ordinary traits of human nature. I should not be surprised, and I think I would be somewhat charitable, if I found that the wholesale grocers' associations, which are sectional over the United States, and then the national association which covers all, were driven into dangerously close communion now because of the common peril that they all see. I think I would have some charity for their getting together.

Mr. HAMILTON. I was speaking now in a general way without any information as to this particular subject, simply taking into consideration human nature as you and I have had opportunity to observe it. We are considering here the packers who, as you say, combine, and I was wondering whether, for illustration, the Wholesale Grocers' Association might not have had the same temptation to combine, and whether they had yielded to that temptation. You would know about that, I suppose, better than any of us, and we are seeking information from you.

Mr. COLVER. Well, specifically with reference to this association, and with respect to the other wholesale grocers' associations, the commission does not know of the existence of either gentlemen's agreements or other price-fixing arrangements. We do not know that.

Mr. HAMILTON. Have you noticed great uniformity of prices?

Mr. COLVER. Yes.

Mr. HAMILTON. Would that be to your mind a suspicious circumstance?

Mr. COLVER. Yes.

Mr. HAMILTON. I will not pursue the inquiry any further now. You are seeking regulation of things, and very properly, and it all goes back to the consumer. The consumer pays the tax, and we want to try to take care of the consumer, whether he eats groceries or meats, or both; that is all.

Mr. BARKLEY. Have you been able to compare the uniformity of prices among wholesale grocers, to which you say attention has been directed, with the uniformity of prices existing among other branches of business in like articles; in other words is the uniformity any greater among the wholesale grocers than it is among retail grocers or druggists or clothing men, or anybody else?

Mr. COLVER. I do not think we have here anything so definite that it would be helpful to the committee on that subject.

Mr. STEPHENS. Mr. Colver, would it not be essential to the very life of the business that these prices approximately approach a uniformity, because if they do not, the competitor has got to meet the price, and it would only be a mere matter of time when they would all go out of business; that is, if they did not approach uniformity of prices?

Mr. COLVER. Of course.

Mr. STEPHENS. The competition would get to be so great that there would be no profit and they would all go out of business. They are all, of necessity, compelled to approach a uniformity of price in order to stay in the business?

Mr. COLVER. Yes.

Mr. Sweet. In other words, uniformity would be an evidence of a just price?

Mr. Stephens. Not necessarily so; but it strikes me it certainly would be a necessity to maintain the equilibrium.

Mr. Colver. Mr. Hamilton's question suggests a thing that I might say now. Mr. Hamilton asked, when you find a uniformity of price, whether or not suspicion is aroused, and my answer is that it is a circumstance which attracts attention. Then there is another circumstance that attracts attention, and that is when you find an industry each member of which is maintaining at very large expense a selling force, keeping high-salaried men on the road, paying them salaries or commissions or both; when you find such extensive and well-organized selling organizations, that fact tends to relieve the mind of the suspicion that there is a very hard-and-fast price arrangement or division of territory or allotment of customers, because on the heels of a division of territory and allotment of customers and a price agreement, the efficiency of a sales organization is no longer necessary to be maintained at 100 per cent. So just as you find things that arouse your suspicion, it is oftentimes possible to apply other tests, and look for other activities, the presence or absence of which would increase your suspicion or tend to lull it.

Mr. Hamilton. And yet a large association with considerable capital would presumably be able to maintain a well organized force to promote sales and to promote uniformity of prices. In short, the machinery is most perfect where there is the most money back of it, so that would coincide, rather, with uniformity of prices. It would tend to perpetuate the uniformity of prices; tend to raise a barrier which the consumer would find it difficult to overcome.

Mr. Colver. If the association which you speak of, as an association, maintained a selling organization, then there would not be any question. Suspicion would become almost a conviction right there; but if the various and individual members of an association each maintain highly organized selling organizations, you are inclined to think there must be competition there, because, generally, there would be less reason for such individual organization.

Mr. Hamilton. Let me interrupt you right there, Mr. Colver. Take, for instance, the subject under discussion, the packers. I suppose, without knowing anything about it, that they have highly paid experts in their employ, have they not?

Mr. Colver. Yes.

Mr. Hamilton. And they have perfected the machinery of distribution, perhaps, as thoroughly as any business in the country, and yet the argument which you are making, in your judgment, does not apply to them.

Mr. Colver. Oh——

Mr. Hamilton. Where there is uniformity of prices, and they are able, as you state the packers are doing, to maintain their own prices, and are able not only to maintain the prices of meat but are reaching out and controlling and maintaining prices of other commodities not allied with meats, and if this is being done, as you state, by these various instrumentalities controlled by the packers which they employ by reason of their very great capital; the same argument which you are able to make in relation to the packers applies to other in-

dustries, it seems to me. I have an open mind on the subject, but I want to get at the facts.

Mr. COLVER. I do not believe that the analogy is there. Let us see. If the Wholesale Grocers' Association were similar to the operations of these packing companies which we have been talking about, we would find that the members of the Wholesale Grocers' Association had taken on the wholesaling and distribution of hardware and of drugs and of boots and shoes.

Mr. HAMILTON. Well, I want to separate that for the purpose of this suggestion: You are complaining, and justly, it strikes me, against the monopoly of related and unrelated industries, but there may be a monopoly of the main industry, which may be as pernicious as the monopoly of unrelated industries. That is the point I am getting at.

PRINCIPLE OF FEDERAL LICENSE.

Mr. COLVER. Yes. We have directed your attention up to now very largely to the effect of the expansion and extension into these unrelated fields, and for this reason: There was before the committee a bill which proposes to regulate by license the business conduct of individuals and partnerships and concerns engaged in interstate commerce of meat packers, and that license was to contemplate the conduct of these concerns in the meat-packing business and their relation to other interstate business. Now, the point we were trying to make was that such license was not an improper interference with the individual business enterprise, with proper private business enterprise, and ingenuity and industry, because we were trying to say that that license would first reach and strike at the bringing together of unrelated things, which in itself was not in the public interest and not good for other lines of industry which had been invaded. We had also tried to show, and I think there is no question about it, that the meat-packing field and industry in and of itself furnishes a wide, ample field for the exercise of any reasonable ambition and industry and enterprise. As I said the other day, in answer, I think, to your own question, Mr. Hamilton, there is not the slightest objection to mere size, and the commission has not in mind and never has had in mind the size of a concern.

Mr. HAMILTON. No.

Mr. COLVER. There is no abhorrence with respect to a big company simply because it is big. Size is no crime. Size does not awaken the commission to any prejudice at all; but when size outgrows its field or leaves its own field and ramifies into other fields to the detriment of legitimate business in those other fields, then we say that not the size but the direction it takes is inimical to the public welfare, to legitimate business, to the general business health of the country. So we were trying to point out that the license control which is proposed here will be useful, and primarily useful, in a limitation to—you can not call it their legitimate field, because any legitimate business is, generally speaking, a legitimate business field for anybody; but limiting it to a reasonable field, a reasonable area or scope or sphere of influence or whatever you want to call it, that that is not a drastic thing or a radical thing or an unheard-of thing. This matter of Federal license——

Mr. HAMILTON (interposing). Just a second before you pass from that point. Mr. Colver, of course it is quite clear, I suppose, to most

of us that this bill, if it should become a law, will establish a precedent. That is clear; and we can accept that as a foundation proposition, can we not?

Mr. COLVER. Yes.

Mr. HAMILTON. Then, having established this precedent with reference to the packers, we can apply this rule of action to any other business which is offending in like manner, can we not?

Mr. COLVER. Yes.

Mr. HAMILTON. That would seem to be inevitable.

Mr. COLVER. Yes.

Mr. HAMILTON. And we could apply it to an industry which is not necessarily controlling many unrelated industries, could we not?

Mr. COLVER. Yes.

Mr. HAMILTON. Because, assuming we have the power, in exercising that power there is no place where we have to stop whenever an abuse has crept in or manifested itself among these producers. Therefore we could apply it to any large association which it would appear was unduly controlling a prime necessity.

Mr. COLVER. Yes; and yet that does not exactly reach, I think, the theory that the commission is bringing to you in support of this remedy. It is not the thought of the control in and of itself that the commission is calling your attention to. It is not that.

Mr. HAMILTON. You would have the right——

Mr. COLVER (interposing). Yes——

Mr. HAMILTON (continuing). To compel, and that means the power of life and death over an industry.

Mr. COLVER. You have the right.

Mr. HAMILTON. And you would have.

Mr. COLVER. Congress has the right.

Mr. HAMILTON. Precisely; and you would have by virtue of the law.

Mr. COLVER. Yes. You see the thought recurs here that this would be an entering wedge, and that this thing would be extended. For that reason it would seem to me it would be well to have the record here very clear as to why this licensing has been suggested in this case. I think there are only two principal reasons. Neither of them is control of the commodity. The two reasons are: First, the existence of unfair competition in an industry; not that there is a control; but a common practice of unfair competition in an industry would be one symptom that would seem to indicate such remedy as this license plan; and the second would be found when one industry was invading a dozen or twenty of other innocent unrelated industries.

Those two things are the only things I have tried to lay emphasis upon, and the only two things I think of now that would be—that is a pretty broad statement—the only two things I think of now that would indicate an exercise of this license remedy. This license theory is old. It is not new at all. It is a pretty good Roosevelt doctrine. In December, 1904, the first report of the Bureau of Corporations discussed it. The report dated December 19, 1904—report of the Bureau of Corporations—discussed the whole matter of control of corporations engaged in interstate commerce.

Mr. HAMILTON. That was what year?

Mr. COLVER. December, 1904.

Mr. Esch. Is that a report of Herbert Knox Smith?

Mr. Colver. No, sir; it is by James R. Garfield, and he suggests various methods or rather analyzes various methods which have been suggested for the control of interstate commerce, and he finally, by elimination, came to a distinct recommendation of the Federal license plan in interstate commerce.

It is curious and interesting that the contents of Commissioner Garfield's report was not known to any of the members of the Federal Trade Commission at the time that we arrived at practically the same conclusion. I think that perhaps Mr. Murdock knew of it generally, but he never suggested nor quoted it to us, nor was it considered until after our conclusion had been independently reached and until, indeed, I think, these hearings had been started here; and then, in reply to a question as to the novelty of this idea, I said, very innocently, that I thought it was perhaps somewhat novel but that I did not think it was at all radical. And then my attention was called to Mr. Garfield's report, which I read with a great deal of interest and profit; and it is curious that that report 14 years ago came out at exactly the same place we came out. I believe there is now pending before Congress and in the custody of this committee a bill to the same general effect by Mr. Steele, of Pennsylvania, and I think that some such authority as Senator Knox has been quoted in favor of this theory when he was Attorney General, all of which is very interesting and shows——

Mr. Hamilton (interposing). In the revision of your statement, I would suggest that, if convenient, you incorporate those references so that we can have them.

Mr. Colver. I would be very glad to do that.

The Chairman. There is a very important matter coming before the House this morning in reference to sending the revenue bill to conference, consequently it is time now for us to adjourn. Will it be convenient for you, Mr. Colver, to return here to-morrow at 10.30 and resume your statement?

Mr. Colver. Yes; if that is agreeable I will be very glad to do that.

The Chairman. The committee then stands adjourned until to-morrow at 10.30, when we will be glad to have Mr. Colver again on the stand.

(Thereupon at 11.58 o'clock a. m. the committee adjourned to meet to-morrow, January 3, 1919, at 10.30 o'clock a. m.)

(The following are the extracts from annual reports of Hon. James R. Garfield, Commissioner of Corporations, above referred to, which are submitted as part of Mr. Colver's statement:)

EXTRACTS FROM ANNUAL REPORTS OF HON. JAMES R. GARFIELD, COMMISSIONER OF CORPORATIONS.

I. FROM ANNUAL REPORT FOR 1904.

FEDERAL FRANCHISE OR LICENSE SYSTEM FOR INTERSTATE COMMERCE.

The principal features of such a system would be:

(a) The granting of a Federal franchise or license to engage in interstate commerce.

(b) The imposition of all necessary requirements as to corporate organization and management as a condition precedent to the grant of such franchise or license.

(*c*) The requirement of such reports and returns as may be desired, as a condition of the retention of such franchise or license.

(*d*) The prohibition of all corporations and corporate agencies from engaging in interstate and foreign commerce without such Federal franchise or license.

(*e*) The full protection of the grantees of such franchise or license who obey the laws applicable thereto.

(*f*) The right to refuse or withdraw such franchise or license in case of violation of law, with appropriate right of judicial appeal to prevent the abuse of power by the administrative officer. [P. 45.]

* * * * * * *

I therefore beg to suggest that Congress be requested to consider the advisability of enacting a law for the legislative regulation of interstate and foreign commerce under a license or franchise, which in general should provide as follows:

(*a*) The granting of a Federal franchise or license to engage in interstate commerce.

(*b*) The imposition of all necessary requirements as to corporate organization and management as a condition precedent to the grant of such franchise or license.

(*c*) The requirement of such reports and returns as may be desired as a condition of the retention of such franchise or license.

(*d*) The prohibition of all corporations and corporate agencies from engaging in interstate and foreign commerce without such Federal franchise or license.

(*e*) The full protection of the grantees of such franchise or license who obey the laws applicable thereto.

(*f*) The right to refuse or withdraw such franchise or license in case of violation of law, with appropriate right of judicial appeal to prevent abuse of power by the administrative officer.

This bureau, under the direction of the Secretary of Commerce and Labor, affords the appropriate machinery for the administration of such a law.

It is fully appreciated that this recommendation is not new, but has been the subject of most serious and exhaustive consideration by public officials and commissions, as well as private persons technically well qualified to speak. The Industrial Commission, in its final report on this subject, recommended, among other things, the adoption of a plan quite similar to this. It is neither necessary nor wise to attempt, in this report, to elaborate the details of such an act; but the bureau has upon its files abundant and, in many particulars, exhaustive information which would be immediately available for the use of Congress or any committee thereof which might have under consideration such a measure. [Pp. 47–48.]

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APPENDIX B.

[Pp. 56–60.]

FEDERAL FRANCHISE SYSTEM FOR INTERSTATE COMMERCE—CONSIDERATION OF DETAILS.

It is not desired to definitely put forward in this appendix any specific detailed outline of such system as being the particular means of carrying out the general conclusions set forth in the body of the report. The particular object is rather to develop as far as possible the legal questions that will be raised, in general, by such a system, and it is obvious that that purpose can best be obtained by outlining in a tentative way the possible features of such system and observing the legal propositions that would be involved therein.

I. FUNDAMENTAL PURPOSE OF THE ACT.

Briefly, its object would be to remedy, so far as is possible by legislation, those corporate evils the existence of which this bureau is considering. A full statement in detail of those evils is not necessary here, and the matter has already been treated in some detail in the body of this report.

In general, however, it is sufficient to maintain the distinction established in the case of Cooley *v.* Board of Port Wardens (12 Howard, 299), namely, that while Congress has complete control over interstate commerce it practically exercises this power only over its national features, leaving local matters to

the regulation of the States. Applying this rule to corporate business, the system in question should deal with the following features of that business:

(*a*) Where the organization or management of the corporation affects persons or interests in more than one State, as, for instance, in the furnishing of public-service facilities or necessaries between two or more States; in the offering of securities to the general public; in the seeking of credit or loans from the general public; in affecting labor conditions in two or more States; in affecting prices of goods or raw materials in two or more States, and in the controlling or coordinating, by merger or otherwise, of business in different States.

(*b*) Where such corporate conditions affect strictly the governmental agencies of the United States and the operation thereof.

(*c*) Where such conditions affect business wholly outside of State control—for instance, navigation and foreign commerce.

(*d*) Where the existing State incorporation laws are essentially an abuse of the comity of States and have, as their primary object, the chartering of corporations whose two chief characteristics shall be (1) the power to do business in other States and (2) the duty to pay taxes to the chartering State.

(*e*) Where the legislative power of a given State has been so far misused under the present tendency toward lax corporation laws that it has resulted in a distinct degeneration in standards of commercial ethics and wholly insufficient protection is given thereby to large classes of its citizens.

(*f*) Also within these limits such a Federal law should endeavor to correct, as far as may be, those peculiar evils inherent in the corporate form as such, and referred to specifically in the body of this report; for instance, lack of personal responsibility of managers, improper use of stock as a kind of currency, lack of proper publicity as to terms of organization, overcapitalization, etc.

II. QUESTIONS OF ADMINISTRATION AND ENFORCEMENT.

1. *System should be compulsory.*—As part of this discussion it may be remarked that a compulsory rather than an optional franchise system is necessary. There must be a positive prohibition against engaging in corporate interstate commerce without a Federal franchise in order to make the system effective.

It has been often suggested that a Federal license law or, more particularly, a Federal incorporation law might be made optional; that this law might require such publicity and fairness on the part of those coming under it that public opinion would force corporations to comply with it in order to gain the reputation of being substantial business entities. This was the basis upon which the proposed "New York business companies act" was drawn. No such optional law has been tried so far as is known, and it is extremely doubtful whether it would be used. In order to have a Federal law of any public benefit it must impose conditions upon corporations which from the strict standpoint of those interested in the corporation would be objectionable, inasmuch as the law must protect the public as well as the corporation. To this extent, therefore, those about to form a corporation would prefer the State law. Any such arrangement would reduce the United States practically to the position that an individual State holds now. The United States would merely offer one form of corporation law; 45 different forms are offered now by the different States.

If corporations now do not choose to avail themselves of the known merits of the Massachusetts law, for instance, rather than the piratical possibilities of the laws of certain other States, it is hardly likely that they would avail themselves of a properly drawn Federal law. It has been especially obvious that within the last two or three years the majority perhaps of the great corporations have been formed, not with a view to their future or to their business stability, but with a view to the stock markets and the issue of stock; and a promoter having this latter purpose in mind would care nothing about the enhanced reputation given by a sound corporate act, but would care a great deal about the enlarged possibilities of stock manipulation given by loose State law. In short, it is believed that the optional plan would fail.

2. *Determination of jurisdictional facts.*—The first point is the determination or definition of the corporations to which the system is to be applied; that is to say, By what practical method shall the fact be established that a given corporation is engaged in interstate commerce? This fact is, of course, the

basis of all jurisdiction in the matter and must be clearly and positively fixed by some method which will admit of being adjusted to a routine and applied readily to any corporation by some Federal authority; for instance, the Bureau of Corporations. It must be as nearly automatic as possible, involving as little expense, annoyance, uncertainty, and disturbance of traffic as may be.

There are two ways at least in which this fact may be established:

(*a*) By reference to the commerce itself during its transit or at some time between its inception and close, and most naturally at the time when it crosses the State line.

The obvious and weighty objection to this State line basis is that it is almost impossible to make it automatic; that it would require apparently a customhouse system which would be very expensive, involving great interference with business, and be wholly impracticable. It seems clear, therefore, that the establishment of the jurisdictional fact at the State line, taking the commerce itself as a basis, is a method which must be laid out of the discussion.

(*b*) The only practical alternative is by test applied, not to the commerce itself but to the parties. This would naturally be operated by means of returns by corporations to the bureau under a general law. Two difficulties appear here:

(1) Possibility of false returns by the corporation or its officers. This is not a serious danger, as the making of such false returns should subject the falsifier to severe penalty, and a violation of this rule could be rather easily proven in any given case.

(2) The second difficulty—a more troublesome one—is the possibility of evasion by the company—that is, the carrying on of its business under such form that its real interstate business would be concealed under the guise of a domestic business. This would naturally be attempted by making all its sales and purchases through an individual resident in the same State as the corporation, which individual should then sell to another individual resident in another State and where the other end of the transaction is desired to take place so that the actual interstate commerce would apparently be between individuals only.

In other words, the corporation would attempt to change its interstate commerce from a corporate to an individual business, taking advantage of the fact that it is desired to apply this franchise system only to corporations. As a matter of law, it is of course possible to apply this franchise system to individuals; but the purpose of such a system is to remedy corporate evils, and present conditions do not call for any such regulation of ordinary individual interstate trade.

But the practical danger of effective evasion by such a plan is much more apparent than real. There are two reasons: In the first place, the main distinction between the real individual trade, with which no interference is intended, and the evasive trade suggested above, would be the difference between bona fide contracts of purchase and sale and contracts of agency or consignment under the fictitious guise of sales. The legal difference between these two conditions is considerable, and it will be decidedly difficult to completely cover the fictitious nature of such evasive transactions. Second, it is obvious that such a system would in practice be exceedingly cumbrous, costly, and disadvantageous to the evading corporation. In most cases it would be easy to establish the fact that the individual seller or buyer was merely the agent of the corporation, and his status can be thus described in the act.

There would, however, remain a number of cases close to the line, especially with small corporations doing their business wholly through jobbers, where it might be hard to determine whether the contract made by the corporation with the jobber was a part of interstate commerce in disguise, or a purely separate contract and a bone fide domestic transaction.

In this connection it should be noted that either a Federal incorporation law or a Federal license law involves a practical difficulty, which is substantially new to our governmental operations; i. e., either system requires the dividing of the business of the country into two great classes, interstate and domestic, for the purpose of jurisdiction over corporations. This has never been done before, administratively. All that has been done so far is for the court to say in specific cases, with all the facts before it after a long trial, that such and such an act was or was not interstate commerce.

But this is quite a different thing from making a system by which an administrative bureau can, with the ease and speed essential to administrative action, test and determine this question for all corporations in the country.

There are indicated above the practical difficulties of establishing, for administrative purposes, the jurisdictional fact of interstate commerce.

It would possibly be sufficient to give the bureau power to determine prima facie the existence of this fact, leaving a right of appeal to the United States courts from such determination, and allowing the bureau jurisdiction on the prima facie determination until reversed by the court of first instance, after which the jurisdiction should be suspended pending an appeal by the bureau.

This power should also, of course, expressly include the power to apply in said prima facie manner the license requirements to any individuals who were, in the opinion of the bureau, acting as virtual selling or purchasing agents for corporations for the purpose of evading the license law.

Prima facie jurisdiction having thus been established, the bureau should be given means of enforcement based upon this fact in the form of some general right to impose a penalty or to cause the restraint of the offending corporation from engaging in interstate commerce.

III. DEFINITION OF INTERSTATE COMMERCE.

It is believed that no serious difficulty will arise in most cases on the question as to what constitutes "interstate commerce." It is merely desired to note here that it will be unwise in the proposed act to attempt any specific definition of such commerce. It is believed that it would be better to use merely the words of the Constitution. Any attempt to define such commerce otherwise will be certain to omit features which may come into existence later. The meaning of the words "interstate commerce" is a matter of common knowledge as regards their application to the great bulk of present transactions, and in doubtful cases the determination can be secured by judicial decision. It is chiefly essential that the law should be broad enough in its scope on this point to cover any transactions which may be hereafter determined interstate commerce.

IV. MATTERS TO BE LEFT IN CONTROL OF STATES.

Keeping in mind the logical division of corporate conditions as between the United States and the States, it is obvious that there should be left in control of the States such matters as peculiarly affect local conditions—as, for instance, protecting the life and health of citizens and their morals, the governmental agencies of the State, the right of the State to tax the property within its limits, the definition of contractual rights as relating to the domestic commerce, and their enforcement in the State courts, and all matters affecting real property located in the States. The use of the phrase "police powers," though technically appropriate here, has been avoided on account of its indefiniteness.

V. OUTLINE OF ESSENTIAL MACHINERY.

In order to accomplish the purposes of the proposed system, it would, in general, be necessary for the bureau to have full information as to corporate conditions. This would require such information as is necessary to give, in the first place, (*a*) a basis for jurisdiction, and (*b*) a basis for action in case the requirements of the law are not complied with. This would call for a regular system of annual reports from corporations, giving their form of organization; management and methods of business; financial condition; volume of trade and direction of the same; prices; cost and character of production and all selling or buying agencies.

It is possible that some more substantial basis than need for information may be required in order to make this report full and satisfactory. It is often found that a system of reports which is based solely on the principle of publicity or of the need of information lacks the necessary "sanction" to render it properly enforceable. It is suggested that this system of reports would be much strengthened if it were based partially on a small Federal tax, largely nominal and merely sufficient to support the bureau and to furnish a formal legal basis for the acquisition of the information desired. This tax would not be intended to accomplish any substantial change in the present system of corporate taxation.

Further, it should be noted that only certain portions of this information should be made public. The amount of publicity should be determined by the respective rights of the various interests involved in corporate business, and care should be taken to protect amply the rights of privacy, which are properly essential to the carrying on of business.

Specifically, a Federal franchise system, as above discussed, should have the following requirements:

(1) Annual reports from corporations as to their business, of such a nature as to show—

(*a*) Whether it is interstate or not.

(*b*) To fully inform the Bureau as to the details of the organization, the arrangement of stock interests, the property taken by the company at its inception and the consideration paid therefor, the terms of subscription, the bond indebtedness and the interests of the promoters therein, the personnel of the management, the charter and by-laws, the number and local distribution of stockholders, all contracts in full made with promoters and with financial interests in the organizing of the company, and all special legislation relating to the company. (These points might be stated in the first report and not repeated thereafter unless conditions were changed.)

(*c*) The financial condition of the company, showing its assets and liabilities, a statement of its business from the side of production, showing the character of goods, their distribution, prices, cost of production, condition of labor and wages, condition of plants and machinery, salaries, office expenses, taxes, and insurance.

(*d*) In public-service corporations special information should be required, directed to the question of discriminations and facts which bear upon this point.

(2) Provision for publication of so much information as is necessary to allow the public to protect itself against fraud and the abuse of minority interests.

(3) Provisions making false returns penal, and allowing for investigation by the bureau as to the fact of falsity.

(4) Provisions, as suggested above, against evasion through selling agents.

(5) Provision for a nominal tax for the support of the bureau.

(6) Issuance of a license to corporations complying with the requirements of this law.

The foregoing requirements apply almost wholly and exclusively to publicity. Some positive regulation by the Federal Government should also be added, possibly in some of the following forms:

(7) That corporations taking a Federal license should conform the status of their capital stock, bonds, and indebtedness to principles laid down by the act.

(8) Reports as to condition of company to be required for the stockholders.

(9) Increase of personal responsibility of managers and directors.

(10) Prohibition of discriminations by public-service companies.

(11) Prohibition of those classes of commercial methods which are clearly unfair competition.

(12) Power in the bureau in the first instance to enforce so many of the above provisions as may be adopted. Such enforcement would probably be by the action of the bureau as a prosecuting officer and would require provision for complaints to the bureau.

II. FROM ANNUAL REPORT FOR 1905.

[Pp. 5–8.]

The position of the bureau at the time of its creation was unique. It owed its existence largely to a public feeling arising from unusual industrial developments. Public opinion thereon was vigorous, but confused and vague. In general, the tremendous concentration of industrial power, the obvious use, in many cases, of improper industrial methods of competition, and the instances of clearly unsound or fraudulent finance connected with corporations, led to the general belief that there had arisen a new industrial problem, a set of conditions not adequately met by existing laws. No solution of this problem had then received general acceptance, nor had the problem itself been clearly stated. Numerous experiments at solution had been made by way of antitrust laws, but the admitted futility of most of these laws led only to the negative conclusion that such was not the way to treat the great industrial changes of which every one was cognizant.

Upon only one point can it be said that public opinion was fairly clear and unanimous, and that point was the desire for "publicity"—in other words, the desire for information. It was not clearly understood to what use this information should be put, nor, indeed, what subjects it should cover; but the demand for accurate information was fundamentally sound. The policy of the

bureau has been framed in accordance with this demand. Its field may be divided into subjects relating to law on the one hand, and subjects relating to economic industrial facts on the other. It must examine and compare the statutes under which the corporations are doing business with industrial and statistical facts.

A statute is the formal expression of public opinion. Hence statutes designed to improve industrial conditions will not be based upon sound economic principles unless public opinion which they express is the result of an accurate knowledge of industrial methods.

Not only is legislation dependent upon public opinion, but likewise moral standards in business and the rules of daily commercial intercourse, which can not be enforced by statute, are created and sustained by public opinion. Current events have strikingly demonstrated the tremendous reformative force of public opinion without the intervention of law. Existing business methods will be changed in accordance with public opinion. Heretofore the wide scope of corporate operations and the baffling diversities of Federal and State laws have made an intelligent public opinion impossible. The average man can easily judge of an isolated commercial transaction between himself and his neighbor, but he utterly lacks the statistical and legal information necessary to view justly the operations of the great corporations doing business throughout the country.

Industrial conditions are extremely complex, far-reaching, and composed of a multitude of detailed facts. To form an intelligent opinion of permanent industrial tendencies it is necessary not only to know accurately all the facts found in industrial conditions, but especially to be able to arrange these facts in their proper relations. Many mistakes of public opinion have been due to a failure to separate the essential from the nonessential, to give proper weight to the various facts. Much legislation has been enacted which is futile and often harmful because directed either at the modification of great economic laws, which can not be modified by statute, or at the treatment of sporadic and sensational facts. Estimates, guesses, prejudices, and limited individual experience have been the bases of action, rather than broad and final conclusions based upon accurate, properly arranged masses of facts.

The bureau, therefore, has endeavored not only to obtain accurate, reliable information, and facts sufficient in number to be representative, but also to draw conclusions that shall represent permanent tendencies rather than individual instances. To this end it has, with a force of carefully trained employees, taken up given industries dealing in important staples, and collected statistics and facts relating thereto; has then digested this information so as to obtain what might be called reliable general averages, and has endeavored to deduce from them conclusions as to permanent corporate methods and tendencies.

It is strongly felt that preventive rather than remedial means must be used in dealing with the entire problem. The Government must deal beforehand with causes, not merely afterwards with their effects. In order to ascertain proper methods of prevention it is necessary to know the causes of industrial evils. The work of the bureau has brought out, to an extent not reached before, the actual methods used in certain industries; their methods of competition, of economies in production and distribution, of discriminations in distribution and transportation; and also the results of such methods in obtaining or tending to obtain monopolistic control. Its work has shown, in the case of the several great industries already investigated, or now under investigation, the fact that the predominant control enjoyed by certain great concerns is based usually upon one or two, or a very few, single factors, such as the control of transportation, of trade-marks, of patent rights, of raw material, special legislation, or a combination of one or more of these factors.

Such information will afford the basis for an intelligent public opinion, and it will constitute "publicity" of a sort that will be efficient in correcting some prevalent abuses. An illustration of this principle has already been obtained in numerous cases where the bureau has been investigating oppressive and unjust methods of competition. In a considerable number of cases the victims of such methods have informed the bureau that the mere investigation of these facts has led to a discontinuance of the methods, and have assured the bureau that from their individual standpoint great good has already resulted to them from the bureau's work.

The year's work upon the investigation of special industries and particular corporations has strengthened my conviction that no permanent remedy for existing industrial evils can be expected until Congress exercises more fully its power of affirmative action under the commerce clause of the Constitution. No

fact of industry is more obvious than that modern business has outgrown and wholly disregards State lines, and that the jurisdictions of single States, as applied to the operations of a great interstate business, are futile and even harmful. A close study of the methods of organization and operation of the greater industrial corporations, their relation to transportation companies, both rail and water, their methods of competition, the extension of their business throughout many States, and the sale of their commodities throughout the world proves that they have actually gone beyond the possibility of proper supervision or control by the single State which gave them corporate existence. Their relation to the transportation companies alone is a sufficient reason for bringing them under Federal regulation. It is idle to claim that the railroads are wholly at fault for rebates, discriminations, and other devices for offering to one shipper improper advantages over a competitor.

It is impossible to prevent such abuses by purely penal legislation. This does not mean that the enforcement of the antitrust law has not been beneficial, for it has. Its enforcement has compelled some respect for the law, which, until recently, was wholly lacking. But so far as effecting a permanent change of the conditions which that law denounces, but little has been done. The imposition of a penalty upon a combination simply drives the men in that combination to the formation of another device for accomplishing the same purpose, and this for the reason that combination is an industrial necessity, and hence will be engaged in despite penal legislation.

By the exercise of the affirmative power granted under the commerce clause Congress can with safety provide a method by which reasonable combination may be permitted. This method must be founded upon an act of the Federal Government which will give to corporations engaged in interstate and foreign commerce standing and recognition under a Federal act. It may be accomplished either by a license to engage in such commerce or by a charter granted by the Federal Government. Under either form Congress should provide all requirements necessary to insure publicity and honesty in promotion, organization, capitalization, and conduct of the corporation, reserving to the Government the right of inspection of the books of such corporation and the further right—the most important of all—to stop the operations of such corporation if it becomes a violator of the Federal statutes, at all times preserving to the corporation and its stockholders the right of judicial appeal against the improper exercise of executive authority.

The power of Conyress to regulate interstate commerce being plenary, that body may determine to what extent it will first exercise its power. The transportation companies most clearly should come within the terms of such a measure; and with them should be joined the greater corporations engaged in the production, manufacture, and distribution of those staples which affect the lives of the people of this country, and the monopolization of which will necessarily result in hardship and injustice to the individual. Such a law is not an invasion of individual liberty or right; is not an effort to have the Government do that which the individual could best do; and would not, in its effect, destroy individual enterprise or the possibility of individual success. It would afford equality of opportunity, not equality in results.

It is universally recognized that the great highways of commerce should be open to all upon equal terms. It is likewise true that the opportunities for the individual to engage in industrial enterprise should be equally free. The individual is not strong enough ordinarily to protect himself against a great corporation. He can be secure in his rights only under a law which subjects the corporation to regulation by a Government whose jurisdiction is broad enough and whose power is great enough to compel obedience. Such a law would lessen the possibilities of unfair and dishonest competition. Under such a law the questions of the reasonableness of combination, of conspiracies in restraint of trade, of monopolistic control, would be left, as they should be, for the determination of the courts; and the Government would then have, as it should have, the opportunity at all times to know the detailed operations of those corporations to which it has granted great powers, upon which it has imposed great responsibilities, and over which it will exercise its full measure of protection so long as they obey the laws of the land.

It is not necessary to repeat what was stated in my last annual report regarding the relative merits of Federal license or a national incorporation law. If the principle of Federal regulation be agreed upon, there will be little difficulty in determining which method should be adopted.

III. FROM ANNUAL REPORT FOR 1906.

[Pp. 5–6.]

The meat-inspection and pure-food laws are the most recent examples of the extension of the principle of publicity. The meat-inspection law goes further by affirmatively establishing the principle of imposing a condition precedent upon the right to engage in interstate commerce. Meat products can not be transported in interstate and foreign commerce until they have been subjected to Federal inspection and such inspection evidenced by labels. This is in effect the requirement of a license to engage in interstate commerce.

The investigations conducted by the bureau, the effect of the interstate-commerce laws, the results of prosecutions under the antitrust law, the reasons which compelled the enactment of the meat-inspection and pure-food laws, all lead me to earnestly urge again the desirability of and necessity for the establishment of Federal inspection and supervision of the greater industrial corporations engaged in interstate and foreign commerce, substantially as outlined in the license plan suggested in my annual reports for 1904 and 1905.

RECOMMENDATIONS OF INDUSTRIAL COMMISSION (1902) AS TO FEDERAL LICENSE.

Commissioner Garfield, at the end of his report for 1904 (p. 60 above), referred to his suggestion of Federal license as not new and cited the recommendation previously made by the Industrial Commission.

The Industrial Commission, in its final report of 1902 on industrial combinations, recommended among other things that plan 3 be adodpted, this being one of three possible plans that it had outlined as a remedy for corporate and industrial abuses it had found.

Plan 3 stated that the evils of combinations remedial by regulative legislation come chiefly from two sources: (1) The more or less complete exercise of the power of monopoly; (2) deception of the public through secrecy or false information. This plan further stated that:

"It may, perhaps, be found in the public interest to support our public burdens by levying more of the taxes upon those who, for whatever reason, have monopolistic power, and for private gain levy tribute through monopoly prices upon great masses of consumers. But in such case care should be taken that the taxation should not ultimately be borne by the people.

"It would seem entirely competent, if it should be thought wise, for our Federal Government to levy a franchise tax upon corporations engaged in interstate commerce. Congress, beyond question, has entirely within its control the regulation of interstate commerce. It is also clear that this control may be used for the purpose of raising revenue, and, incidentally, for the purpose of preventing any injury to the public, or of furthering the public welfare.

"Congress may, therefore, in its discretion, besides levying a tax upon them, lay other conditions, without the fulfillment of which State corporations would be forbidden to engage in interstate commerce. It may prescribe conditions which would in all probability prevent many, if not most, of the abuses which come from our great combinations, so far as they are engaged in interstate business. If it appears that danger of monopolistic power increases with the size of corporations and the extent of their business, a franchise tax might readily be made progressive in its rates, and thus give back to the public, through this partial bearing of the burdens of government, some of the gains of monopoly. Even if it were not felt that the greater corporations were more injurious to the public than the smaller, a progressive franchise tax might properly be levied on the ground that the larger corporations have a decided advantage in the conduct of business, so that a higher rate of taxation would not be to them more burdensome than a lower rate to a smaller rival.

"Such laws, either for levying a tax or for carrying out prescribed conditions in connection with corporations doing an interstate business, would of necessity require a special bureau for their administration." (Final Report of Industrial Commission, 1902, vol. xix, pp. 645–647.)

To accomplish the purposes of this plan it was recommended:

"That plan 3—Federal taxation and supervision—heretofore outlined, be adopted, and to accomplish its purposes—

"(a) That an annual franchise tax be imposed upon all State corporations engaged in interstate commerce, calculated upon the gross earnings of each corporation from its interstate business; that the minimum rate of such tax be low, but that the rate be gradually increased with increases in earnings.

"(b) That there be created in the Treasury Department a permanent bureau, the duties of which shall be to register all State corporations engaged in interstate or foreign commerce; to secure from such corporations all reports needed to enable the Government to levy a franchise tax with certainty and justice, and to collect the same; to make such inspection and examination of the business and accounts of such corporations as will guarantee the completeness and accuracy of the information needed to ascertain whether such corporations are observing the conditions prescribed in the act and to enforce penalties against delinquents; and to collate and publish information regarding such combinations and the industries in which they may be engaged so as to furnish to the Congress proper information for possible future legislation.

"The publicity secured by the governmental agency should be such as will prevent the deception of the public through secrecy in the organization and management of industrial combinations or through false information. Such agency would also have at its command the best sources of information regarding special privileges or discriminations, of whatever nature, by which industrial combinations secure monopoly or become dangerous to the public welfare. It is probable that the provisions herein recommended will be sufficient to remove most of the abuses which have arisen in connection with industrial combinations. The remedies suggested may be employed with little or no danger to industrial prosperity and with the certainty of securing information which should enable the Congress to protect the public by further legislation if necessary." (Pp. 650–651.)

The material referred to by Mr. Colver on page 49 above is here given:

THE PACKERS' POSITION IN THE DISTRIBUTION OF FOODSTUFFS.

The commission's investigation of the meat industry and of perishable, canned, and package foods has developed that the large packers are rapidly securing a strong position in the production of many, and in the distribution of nearly all, kinds of foodstuffs. This encroachment is particularly far-reaching in distribution. The numerous branch and sales houses of the Big Five packers scattered all over the country are no longer used for the exclusive sale and distribution of meats and by-products for which they were originally established.

These packers have invaded the wholesale grocery trade, and in practically all the more important centers of distribution they threaten to dominate a field which a few years ago was almost exclusively occupied by the independent provision jobber and wholesale grocer. With the exception of sugar and flour, the profits on the marketing of which are, without the control of their supply, relatively small and the control of which by the packers has apparently never gotten far and with the exception of fresh fruits and vegetables into the marketing of which the packers have never ventured far, the Big Five are now distributors of almost all the commodities legitimately belonging to the regular wholesale grocery, provision, and produce trade. These include all kinds of meats, dressed poultry, eggs, butter, cheese, cereals, and other package foods, jellies, pickles, and canned fruits, vegetables, fish, and meats.

The extent of these encroachments will vary with the commodity, the locality, and the dealer. Aside from meats, there are no absolute statistics on these commodities for the country as a whole which will show exactly how far the packers' invasion has reached. But reliable figures have been given to the commission by many individuals covering their own business dealings and these figures are conclusive as to the strong tendency.

The following figures and discussion relate to the packers' control over the distribuiton of poultry, eggs, and dairy products: Martin, Walt & Co., wholesale commission merchants, Memphis, Tenn., state that in the past few years their business has fallen off more than 60 per cent, which they attribute to the big packers. Gridley, Maxon & Co. say that the big packing houses are getting the business and that in poultry it is only a question of time when they will have it all.

The S. A. D. Parker Co., wholesale dealers in poultry, eggs, and butter, Norfolk, Va., states that the packers are gradually acquiring the great bulk of the egg, poultry, and butter business. The Fidelity Fruit & Produce Co., Atlanta, Ga., report that until 1916, many of the local produce dealers were also extensive dealers in poultry and eggs, but the Big Five have gradually taken the business away from them until now they together handle probably 75 per cent

of the poultry and 90 per cent of the eggs sold in the Atlanta market. The statement of McCullough Bros., wholesale dealers in produce, Atlanta, Ga., made independently of the preceding statement is that packers together handle 75 per cent of the poultry and 85 per cent of the eggs.

H. F. Battermen of Battermen & Koellein, poultry dealers, Chicago, say that the big packers are cutting into the poultry business very materially. At present about 66 per cent of the Chicago trade is sold by the Big Five. Augustus J. Bartlett, wholesale dealer in butter, cheese, eggs, and poultry, Boston, Mass., stated that the packers are cutting into the business of the independents constantly. The consensus of opinion of independent dealers at Chattanooga is that the big packers handle 75 per cent to 85 per cent of the eggs and poultry sold on that market.

H. R. Aiken, jobber and wholesaler of butter, eggs, and poultry, Philadelphia, Pa., states that the packers are getting control of the country shippers or forcing them out of business and that very few small independent shippers are left. George Collins, jobber in dressed poultry, Philadelphia, Pa., says that the packers have become so large in poultry business that the only chance for a small dealer in the poultry trade is to do a scalping business, and estimates that they have injured the independent poultry dealers in that city until they are doing only one-third of their former business. He expects the meat packers to drive all independents out of business.

Robert Ray, president of the Farmers' Product Co., Wichita, Kans., says that over 90 per cent of the poultry and egg business in the Whichita territory is now absolutely in the hands of the packers. Carl Nelson, shipper and packer of poultry, butter, and eggs, Hutchinson, Kans., states that he is the only independent buyer and distributer of eggs in that city where formerly there were many prosperous independent dealers. He says that Swift & Co. have secured the business.

Marshall, Jordan & Keith, wholesale produce dealers, Birmingham, Ala., report that the Big Five have the bulk of the trade there on eggs; that seven or eight years ago their firm had a good business in eggs, but that it has gradually dropped off until it is now practically nothing. Mr. Keith of the firm states that the packers have practically all the cheese business in Birmingham and about two-thirds of the egg business, and all the frozen poultry business. E. V. Mandel & Co., wholesale produce, Louisville, Ky., reoprts that in their immediate section Armour & Co., through ownership of the Kentucky Creameries Co., Louisville, Ky., and the Kentucky Creameries Co., New Albany, Ind., are, in their opinion, the biggest factors in eggs and poultry.

Dan B. Dougherty, of the Latshaw Feerst Co., Pittsburgh, Pa., says that the packers have become such large factors in the handling of butter and eggs that it is possible for them to manipulate the market at will. He believes that they could force the independent dealers out of business if they cared to do so. W. J. Hartzell Co., 205 Ferry Street, Pittsburgh, Pa., states that the packers "absolutely control the egg business" and that they make the price and eventually, in their opinion, will monopolize the poultry business.

F. K. McFall, of Gleason & Lansing, wholesale dealer in butter and eggs, Buffalo, N. Y., states that it is his opinion that the meat packers control the supply of eggs at the present time throughout the United States and cites as evidence that the British ministry in the summer of 1918 went into the open market and endeavored to buy 700 cars of eggs, but were able to secure but little in this way.

CANNED AND PACKAGE FOODS.

In canned and package foods the packers have made inroads into the wholesale grocery business equally marked. The following are a few statements from representative firms:

H. T. Quinton, St. Paul, Minn., states that Armour & Co. has bought up the entire catsup output of Lindner & Co., Terre Haute, Ind., and the entire output of corn canners and other foodstuffs from other manufacturers.

Wake, Peterkin & Co., food brokers, New York City, say that they wanted last fall to make a contract for sauerkraut between the Batavia Canning Co., Batavia, N. Y., and one of their customers. They had gotten to the point where that company had agreed to sell, subject to approval of sample which it was to send, but they were unable to get the sample and later learned that Wilson & Co. had acquired control of the Batavia Canning Co.

Thomas S. Vallette, of Francis H. Leggett & Co., New York City, states that Armour, Swift, Wilson, and the other packers are huge speculators controlling

an enormous aggregate of capital, and where they don't manufacture themselves they buy up as much as possible of the output and resell. Last year they bought all of the canned goods they could and sold them for less prices than the wholesale jobbers.

J. L. Griffin, wholesale grocer, reports that one of the proprietors of the Atlas Cereal Co., Kansas City, packers of rolled oats, advised them that Armour & Co. spent more for advertising their rolled oats last year than their total sales of rolled oats.

Henry C. Perkins, of Barber & Perkins, wholesale grocers, Philadelphia, Pa., says that they are beginning to feel very keenly the hand of the meat-packing combine on a great many staples in the grocery line outside of meats. This covers primarily almost all kinds of canned goods and many of the cereals, if not all. They say they were compelled to buy their supplies of canned pineapples from the Swift concern, Libby, McNeill & Libby, which should have come either from first hands or from surplus stocks held by the grocery shipping trade. The same was true last year with tomatoes in cans, the meat packers controlling the tangible supply at the end of the season. So also rolled oats and corn meal sold by the Buffalo Cereal Co., of Buffalo, N. Y., a subsidiary of the packers.

Robert L. Montgomery, of Montgomery & Co., wholesale grocers, Philadelphia, Pa., stated that in the prior 60 or 90 days they had been unable to buy a pound of rice, yet the meat packers had large supplies and had been selling to retail grocers from 1 cent to 1½ cents per pound less than the regular market price. Also that Armour & Co. bought over 1,000,000 cases of canned tomatoes last year at from $1.20 to $1.35 per case, taking them out of the market and saying they would not sell them until the market price reached $2 per case. When the price reached that figure he said Armour & Co. sold tomatoes to their customers at $2, and that they were obliged to pay the same price for what they needed to fill their orders. He also stated that the meat packers entered the grape-juice business a few years ago and in a short time formed a holding company with which most of the jobbers of grape juice became affiliated.

James Hewitt, of H. Kellogg & Son, importers and wholesale grocers, Philadelphia, Pa., reports that the packers now control the canned-tomato market, and that as to fruits, pineapples, cherries, and condensed milk they have either bought out or built a sufficient number of canneries to control the supply. He says that this policy of the packers crushes the small canners, and that if they are allowed to go on with their activities they will eventually control and manipulate all of these products. He further states that they are gradually encroaching on the grocery trade generally, driving dealers out of business and forcing them into the position of becoming their employees and distributing agents for them.

William J. Young, broker and commission merchant, Philadelphia, Pa., reports substantially the same with regard to Armour & Co.'s control over canned tomatoes as Robert L. Montgomery, of Montgomery & Co., Philadelphia, Pa. He reports also that the packers are in the distribution of rice, controlling the supply and refusing to sell to wholesale grocers.

William G. Bonstedt, of the Bonstedt Brokerage & Commission Co., Philadelphia, Pa., reports that the packers are both buying and putting up their own canneries in Philadelphia for fruit, vegetables, and fish; that Armour & Co. lately bought an oat-meal mill from Kern Bros., Milwaukee, Wis., and the Buffalo Cereal Co., Buffalo, N. Y. He complains of this company's forcing its way into the pineapple business, and where it was unable to buy the output of canning companies, compelled them to sell their plants. He says that if the large meat packers are not taken care of they will eventually control all of the food products in the United States.

William D. Mullen & Co., wholesale grocers, Wilmington, Del., reports that of all the large packers, Armour & Co. is most active in their territory; that this company purchases tomatoes very largely in this territory for its own labels.

Mr. W. F. Bode, of Reid, Murdock & Co. (Inc.), Chicago, Ill., states that at the Cleveland convention in 1917 Libby, McNeill & Libby had one buyer for each of the important items in the canned-food line, who had positive instructions to buy every case of goods they could from the packers who attended the convention. They not only bought at the prices offered, but they bid up the price to the canner in order to get these goods away from the regular wholesale channels. All during 1918, he further states, brokers said that the stockyards packers have given them carte blanc to buy at any price all the goods their canning accounts had to offer, and that Swift & Co. and Armour attempted to buy a large portion of the pineapple pack of 1918.

Walter Birkin, of the American Groceries Brokerage Co., Chicago, Ill., states that the effect of the large packers on his field—evaporated milk and pickles—is marked, the tendency being to cut out all middlemen through the control of the source of supply.

Arthur Williams, of R. G. Williams & Co., wholesale grocers, New York City, states that Wilson & Co. bought out the vegetable packing concern of Grafton & Johnson, of Indiana, from which Williams & Co. formerly bought as high as 17,000 cases of canned goods per annum. This not only cut off one source of supply of Williams & Co., but Wilson & Co. by this move became an active competitor. Libby, McNeill & Libby, a Swift concern, bought out the tomato catsup and chili sauce manufacturer, Mullen-Blakledge-Nellis Co., of Brazil, Ind. After this purchase he says they refuse to sell goods except under their own labels, and this cut off the source of supply of the Royal Scarlet, the best brand of catsup sold by Williams & Co.

E. C. Lavender, of the Wichita Wholesale Grocery Co., Wichita, Kans., reports that a local packer visited him on October 23, 1918, and told him that he had been empowered by Armour & Co. to buy from the Wichita Wholesale Grocery Co. all the canned corn which that company had on hand or had contracted for upon a basis of 7½ per cent profit over the cost at canning factory. He further states that the proposition was turned down for the reason that the merchandise had been bought for his own trade. He said he had reasons to believe that every wholesale grocer in his territory was made a similar proposition.

F. A. Alpin, of J. K. Armsby, New York City, estimates that the packers at the present time control one-fifth of the salmon canneries of the United States, and believes that they will "murder" the small businesses one by one in the most heartless fashion until they reach their goal—complete domination.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Friday, January 3, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF MR. WILLIAM B. COLVER, CHAIRMAN FEDERAL TRADE COMMISSION—Resumed.

The CHAIRMAN. Gentlemen, the committee will please come to order. Mr. Colver, I was hoping we would get through with your statement to-day, if possible, and I am going to have to say on account of the members of the committee having so much work of pressing importance that we are going to have to insist on beginning these hearings promptly at 10.30 o'clock, and if any witness who was to be here is not here at that time, we will have to take up someone else. Our time is so pressing that we are compelled to do that in justice to the members of the committee.

You may now proceed with your statement.

Mr. COLVER. Mr. Chairman and gentlemen, I thought it would be useful this morning to come to the control in the purchase of live stock, and I will run over, just as briefly as I can, the successive stages or devices in the situation which bring us down to the present time.

DRESSED-MEAT POOLS (1885–1902).

The first getting together of the packers in the nature of a division of business was in 1885, and that combination——

Mr. PARKER of New Jersey. What date?

Mr. COLVER. In 1885. And that combination was not with respect to the purchase of live animals but with respect to the sale of meat. The agreement was on the sale of meat and was called th

Meat Pool. The fact of such a pool is admitted and has been proven; proven in court proceedings. It was called the Allerton Pool or the Dressed Meat Pool, and the members were Swift & Co., Armour & Co., S. W. Allerton, Morris & Co., and Hammond & Co. The Cudahy Packing Co was not represented. The Allerton Co. was later absorbed by Morris & Co.

As I say, this pool or agreement ran to dressed meats and not to the purchase of live stock.

The operations of this pool were investigated by a special Senate committee on the transportation and sale of meat products, and after two years of investigation that committee reported unanimously in 1890 that there was convincing proof of collusion with respect to, first, the fixing of beef prices; second, the division of territory and business; third, the division of certain public contracts; and fourth, the compulsion of retailers to buy their beef from the members of the pool.

Just about that time the Sherman law was enacted, and this Senate committee report had been made. That was 28 years ago.

Then followed next, in 1893, what was called the Veeder Pool. It got the name of the Veeder Pool from the fact that Henry Veeder, the son of Albert H. Veeder, who was then the attorney of Swift & Co., was the secretary, and to an extent the clearing house for the pool's operations.

The existence of the Veeder Pool and the operations of the Veeder Pool have been made a matter of record in court by the testimony of Mr. Veeder himself in the National Packing Co. case. His testimony was given after the statute of limitations had run, and he testified that from 1893 to 1896 the representatives of Armour & Co., Swift & Co., and Morris & Co. met regularly every Tuesday afternoon at 2 o'clock; but the Cudahy Packing Co. and the G. H. Hammond Co. were also occasionally represented at these meetings.

During this early time, as was brought out in the National Packing Co. case, the various packing companies were designated by letters in records and memoranda made concerning the operations of the pool. Armour & Co. was called A; the Armour Packing Co. was called B; the Cudahy Packing Co. was called C; G. H. Hammond Co. was called D; the St. Louis Dressed Beef & Provision Co. was called E; Morris & Co. were called F; and Swift & Co. G.

The CHAIRMAN. Did that pool embrace buying live stock as well as selling dressed meats?

Mr. COLVER. That continued to be a pool for the selling of the dressed beef; a division of business based on the sale of meat.

Then on May 10, 1902, the Department of Justice filed a petition in equity for an injunction against the packers alleging the existence of this so-called Veeder Pool, and on May 21, 1902, a temporary injunction was issued. The preliminary injunction was made permanent and on appeal was affirmed, with some modification, by the United States Supreme Court on April 11, 1905.

Mr. ESCH. In that connection, your report sets out the decree of the Supreme Court?

Mr. COLVER. Yes.

Mr. ESCH. You might insert that as a part of your testimony.

Mr. COLVER. Yes; thank you. I will do that.

(The portion of the report follows:)

INJUNCTION OF PACKERS' COMBINATION (1902).

[Report of the Federal Trade Commission on the meat-packing industry. Part II, pp. 18 and 10.]

The Department of Justice, May 10, 1902, filed a petition in equity for an injunction against the packers, alleging various acts in restraint of competition in the purchase of live stock and the sale of meats, and in monopolization of commerce therein, including conspiracy to secure railroad rebates for the purpose of monoply.

On May 21, 1902, a temporary injunction issued and, demurrers being overruled, a preliminary injunction was granted February 18, 1903. On April 22, 1903, the petition was taken pro confesso and on May 26, 1903, the preliminary injunction was made perpetual, and on appeal was affirmed, with slight modification, by the United States Supreme Court April 11, 1905. (196 U. S. 375, 393, 394.)

TERMS OF INJUNCTION.—The perpetual injunction of May 26, 1903, as modified by the mandate of the Supreme Court in 1905, was as follows (paragraphing, subdivisional numbering, and italics inserted by the Commission for convenience in analysis):

> And now, upon motion of the said attorney, the court doth order that the preliminary injunction heretofore awarded in this cause, to restrain the said defendants and each of them, their respective agents and attorneys, and all other persons acting in their behalf, or in behalf of either of them, or claiming so to act,
>
> [I] from entering into, taking part in, or performing any contract, combination, or conspiracy, the purpose or effect of which will be as to trade and commerce in fresh meats between the several States and Territories and the District of Columbia, a *restraint of trade*, in violation of the provisions of the act of Congress approved July 2, 1890, entitled "An Act to Protect Trade and Commerce against Unlawful Restraints and monopolies," either
>
> [1] by directing or requiring their respective agents
>
> [a] to *refrain from bidding* against each other *in* the *purchase of live stock;* or
>
> [b] collusively, and by agreement, to *refrain from bidding* against each other *at* the *sales of live stock;* or
>
> [2] by combination, conspiracy, or contract, *raising or lowering prices or fixing uniform prices at which* the said *meats will be sold*, either directly or through their respective agents; or
>
> [3] by *curtailing* the *quantity of such meats shipped* to such markets and agents; or
>
> [4] by *establishing* and maintaining *rules* for the giving *of credit* to dealers in such meats, as charged in the bill, the effect of which rules will be to restrict competition; or
>
> [5] by *imposing uniform charges for cartage* and delivery of such meats to dealers and consumers, as charged in the bill, the effect of which will be to restrict competition; and also
>
> [II] from violating the provisions of the act of Congress approved July 2, 1890, entitled 'An Act to Protect Trade and Commerce against Unlawful Restraints and Monopolies,' by combining or conspiring together, or with each other and others, to *monopolize* or attempt to monopolize any part of the trade and commerce in fresh meats among the several States and Territories and the District of Columbia,
>
> [1] by *demanding, obtaining, or*, with or without the connivance of the officers or agents thereof, or any of them, *receiving from railroad companies* or other common carriers transporting such fresh meats in such trade and commerce, either directly or *by* means of *rebates, or by any other device, transportation of or for such meats*, from the points of the preparation and production of the same from live stock or elsewhere, to the markets for the sale of the same to dealers and consumers in other States and Territories than those wherein the same are so prepared, or the District of Columbia, *at less than the regular rates* which may be established or in force on their several

lines of transportation, under the provisions in that behalf of the laws of the said United States for the regulation of commerce,

be and the same is hereby made perpetual.

LIST OF CORPORATIONS AND PERSONS ENJOINED.—The defendant corporations and individuals enjoined by the above decree were as follows, the list being taken from the docket in the United States district attorney's office, Chicago:

Swift & Co., The Cudahy Packing Co., The Hammond Packing Co., Armour & Co., corporations under the laws of Illinois.

The Armour Packing Co., The G. H. Hammond Co., The Schwarzschild & Sulzberger Co., corporations under the laws of New Jersey, Michigan, and New York.

Nelson Morris, Edward Morris, and Ira N. Morris, copartners, under name of Nelson Morris & Co., doing business at Chicago, East St. Louis, and South St. Joseph.

J. Ogden Armour, Patrick A. Valentine, Calvin M. Favorite, Arthur Meeker, Thos. J. Connors, Chas. F. Langdon, Michael Cudahy, Edward A. Cudahy, Patrick Cudahy, Albert F. Borchert, Gustavus F. Swift, Lawrence A. Carton, D. Edwin Hartwell, Jesse P. Lyman, Frank E. Vogel, Louis Pfaelzer, William Russell, Albert H. Veeder, and Henry Veeder, citizens of Illinois, residing at Chicago.

Edward C. Swift, a citizen of Massachusetts, residing at Boston.

Ferdinand Sulzberger and W. H. Noyes, citizens of New York, residing at New York City.

ATTEMPTED MERGER AND NATIONAL PACKING CO. (1902–1912).

Mr. COLVER. While this litigation was going on in 1902 and 1903, there was an attempt at an actual merger of these companies, and the plans for this merger were going forward when the panic of 1903 came on and the large financing that was necessary to bring about a merger of such great size became involved, so the merger plans were abandoned.

The next sequence is the National Packing Co. phase. While the plans for the merger were going on and before they were finally abandoned a second plan, that of the National Packing Co., was launched.

It was arranged that a concern to be called the National Packing Co. was to be incorporated and by the terms of an agreement dated March 18, 1903, it was arranged that the National Packing Co. should acquire the Omaha Packing Co., the G. H. Hammand Co., the Hammond Packing Co., the Anglo-American Provision Co., the Fowler Packing Co., and the Stockyards Warehouse Co.

The National Packing Co. was actually formed and certain competitive companies to these big companies, which had been in these former combinations, were actually acquired and turned into the National Packing Co.

None of the big companies was merged with the National Packing Co., and the National Packing Co. got no further than to serve two purposes: First, to gather together certain independent competing companies; and second, to be a useful means of intercommunication, because the meetings of the National Packing Co.'s directors were equivalent to meetings of the packers in the combination which had created the National Packing Co.

However, the National Packing Co. attracted the attention of the law officers of the Government and litigation was started, so that the National Packing Co. was disbanded. It never gave up, I think, its legal existence, but it practically went out of visible business, and the various concerns or properties that had been brought into the

ownership of the National Packing Co. were then distributed around among the different big packing concerns in a proportion that was agreed upon.

THE PRESENT LIVE-STOCK POOL.

Now, it was that the live-stock pool which had been in operation even in the National Packing Co. times, took the place of the Dressed Meat Pool: that is to say, a division not on the basis of the sale and shipment of dressed meat, but a division on the basis of the purchase of live animals.

It is evident that if two or more concerns purchase raw material, all their raw material, on a percentage basis, that their operations and sales and everything else will tend to be in that same proportion, since the raw material is turned into the finished product. So that a control of the purchase of live animals is the same thing and achieves the same end as a control of the shipment of dressed meat.

In part 2, with which I suppose the committee has become more or less familiar during the time it has been in your hands, there is set out as an appendix, and also liberally quoted from throughout the body of the report, a document called the Black Book.

THE "BLACK BOOK."

This book is a memorandum that came into the hands of the commission in going through the papers relating to the formations of Wilson & Co. out of the Sulzberger Co. The Sulzberger Co. had been a member of and a party to the preceding combination, and it was finally taken over, or its name was changed to Wilson & Co., and in going through the papers relating to that transformation from the Sulzberger Co. to Wilson & Co. a memorandum book was come upon by the commission.

It is a private memorandum of Germon F. Sulzberger. It is fair to say that Mr. Sulzberger not only did not volunteer this thing but it was come upon without his knowing it, and he has objected that it was his private paper. However, it seems to have been in the public interest to keep possession of this memorandum, and the commission has kept it and has published it in full in part 2 of its report on the meating-packing industry.

Germon Sulzberger, representing the packing firm of Sulzberger & Co., which was the predecessor of Wilson & Co. (Inc.), attended meetings from time to time with two or more of the members of these preceding combinations or pools. His concern itself was a member of these pools or some of them. He had a habit of setting down carefully in writing in a methodical sort of way, apparently with very great care, the results of these various conferences, and there is internal evidence that the writing down of these things was done as quickly after the meeting as he had an opportunity—sometimes within an hour. So that here is a diary by a participant in these meetings of the proceedings, the discussions, the arrangements, and sometimes the disagreements of these men and these companies.

During the period that is covered by the Black Book memorandum the matter of the further development and the tying in of the South American packing business with that of the United States was the uppermost thing in the minds of the members of this combination, and for that reason the South American market, the division of it,

and arrangements concerning it are a much larger part of this memorandum and much more emphasized in this memorandum than they are in part 2 in general.

This memorandum is very frank. The names of the packers, their associates, their attorneys, and various officers are known by code names or symbols all the way through; and while the identity of these code names was worked out by the context satisfactorily by the agents of the commission, still, for verification, Mr. Sulzberger, unwillingly, was examined by the commission and required to give the key to the cipher code in his memorandum. This key is printed on page 213 of part 2, which is before you, and the memorandum just as it was found follows:

The memorandum covers a period beginning in January, 1913, and running through to—I think the latest date is March, 1916. So that it carries through two years and from January until March and carries a fairly full diary of various conferences held by these gentlemen during that time.

LIVE-STOCK POOL ELIMINATES REAL COMPETITION.

Now, it will be said, and it has been said, that there is competition among these five packers, and that that competition is real competition.

But, before I come to that, it is 28 years during which this industry has been practically continuously under some form of investigation by Government authorities. There has been litigation. There have been congressional investigations. There have been investigations ordered by Congress. There have been investigations undertaken by the Bureau of Corporations. During that time the methods and means of combination and agreement have been very much refined.

To begin with, prior to the Sherman law there was frankly an avowed pool as to dressed meats. Then came the pooling or the division of live animals rather frankly and openly done. Certain percentages then used are found to persist. New concerns have been brought in; old concerns have been absorbed, and the bringing in of the new concerns and the absorption of the old ones has brought about certain changes in the old percentages, but the changes in those percentages have been harmonious, and, after all, have had a distinct relation one with the other. So that the five big companies, in spite of all these changes—and they have been relatively slight—find themselves substantially as they were in the beginning, keeping in mind the fact that some new members have been added and some old ones have been absorbed.

Mr. ESCH. That is, Cudahy came into the last pool, as you pronounce it, and he was not in the original pool.

Mr. COLVER. Not in the dressed-meat pool.

Mr. ESCH. Not in the dressed-meat pool?

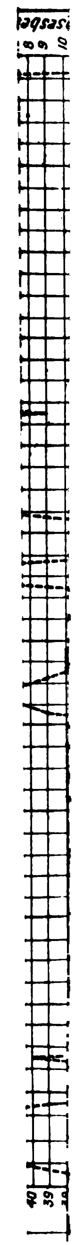
Mr. COLVER. No; nor in the National Packing Co.; and neither was the Sulzberger Co. in the National Packing Co.

Mr. ESCH. Is the Sulzberger Co. a successor to the Schwartzschild & Sulzberger Co.?

Mr. COLVER. Yes.

Mr. ESCH. And afterwards it became Wilson & Co. (Inc.)?

Mr. COLVER. That is correct.



Now, two things are insisted by these gentlemen—by the way, Cudahy was in the Veeder pool—first, that there is competition now, and that there has been competition in the purchase of live animals, and therefore in the sale of products, and that any apparent constant ratio is accounted for on a theory of "plant capacity," on which they might say, "admitting we buy in a certain ratio, it is because our plants have a capacity which have that proportionate relation to each other."

It is also pointed out that the fluctuations in the proportionate buying in various markets are very violent; that where, for example, Armour and Swift alone are in a given market their percentages of purchases vary widely in that market; that two of the five are in some markets, and three in other markets, and in some markets four, and in some all five of them; and that in any one of those markets you find very wide fluctuations and variations in the proportionate buying.

DIAGRAM OF CATTLE PURCHASE PERCENTAGE.

But, for the year 1916, for example, we take the 10 or 12—I will say 12—principal live-stock markets covered by the packers' division of purchase arrangement. We find that the fluctuations that are spoken of do exist in the individual markets and that the ratio and the percentage does jump around from week to week and from day to day and from month to month. But bringing all 12 of them together and considering the figures separately by weeks—that is, the first week in January, the second week in January, and so on—we find the weekly purchases of Swift, Armour, Morris, Wilson, and Cudahy, through the 52 weeks of the year, a line that looks like a sawtooth, up and down, it is true, but at that varying not more than 5 or 6 per cent. However, if we take the same figures of the five companies' purchases in the 12 big markets, and, in the case of each company, add its weekly figures together—accumulating the weeks we go—we get for each week the figures for the year that far, or the "year to date." To explain these two methods: First, we take the first week in January, then, the second week in January, considered separately, and you will find considerable irregularity in the ratio of purchases between the five packers. But take the second method—that is, add the first week and the second week together, then, the first three weeks together, and so on, and the line begins to straighten out, and when we come to add the 52 weeks together—and I call your attention to a diagram printed opposite page 50 of the Part II report—I call your attention to that diagram [diagram referred to is printed opposite this page] which shows in the upper part of the diagram for the year 1916 the variation, week by week, of the number of head of cattle that were actually sold to the five packers in the 12 principal cattle markets. Then, it shows, week by week, the percentage purchased by the five big concerns, i. e., the percentage each of the five bought, of the total bought by all five—their division of their combined supply.

The lower chart, on the same piece of paper (opposite page 50, of Part II, of our report) shows these weekly totals carried forward cumulatively, each week adding all of the preceding weeks together, until you have the 52 weeks of the year added together for each of the five companies in the 12 markets, and the lines in no instance finish the end of the year more than the per cent off of the propor-

tions or the divisions. What you see in this chart for cattle in 1916 holds in general for the other animals and the other years.

Now, the irregularities of purchases in the various markets are cited as being proof of competition; but if, with those irregularities for the five buyers in the individual markets, as marked as they are and they finally wind up in a practically straight line, some of those lines being as straight as you could draw a line with a ruler—and I again call your attention to this chart—that is too much of a coincidence to be cited as a proof of competition. Competition would not work that way. Some one company, or two of them, must fall out of line in some way. If, in 12 markets, week by week, five different purchasers, in different groups, in different markets; that is, a certain two of the five purchasing at one market, another two in another, three at another, four at another, and all of them purchasing in others, and so on, with all the combinations that are made out of the 12 markets and the five purchasers, I say if all these purchasers and all these variations in proportions, week by week, at those places, shall result in a straight line, it just doesn't happen as a coincidence; and, I doubt, if it could be explained on any other theory than that there is something very much more definite than coincidence behind it, especially having reference to a fact like this——

Mr. STEPHENS. This diagram you refer to deals only with the purchases and not with the prices?

Mr. COLVER. With the purchases only. It has nothing to do with anything but the purchase of the head of live stock.

Mr. DOREMUS. Does it indicate anything except cattle?

Mr. COLVER. Only cattle. We will come to the others later, Mr. Doremus.

"PLANT CAPACITY" THEORY.

Mr. MURDOCK. May I make the suggestion to you there that the answer of the big packers to this fixed and continuing uniform percentage is plant capacity?

Mr. COLVER. I was about to come to that.

Mr. MURDOCK. I thought perhaps you had overlooked it.

Mr. COLVER. I had spoken of plant capacity, and I wanted to come back to that when we got this other thing visualized here.

Mr. STEPHENS. And as an economic proposition, I presume that is sound; that is to say, it would be an economic waste if these cattle were not distributed among the five packers in a manner that would keep them all employed; that would keep their plants running; that is, just considering it from an economic point of view only and from the point of view of the packers and not the point of view of the public. In other words, it would be an economic advantage to divide the cattle up equally among the packers according to their capacity.

Mr. COLVER. Quite so; and it is not complained of. We are not bringing it here now as a complaint. We are bringing it here as a fact.

Mr. MONTAGUE. Do you mean an economic advantage to the packer or to the public, or both?

Mr. COLVER. Well, I would say to all concerned, perhaps.

Mr. DOREMUS. What about the rest of the folks?

Mr. SWEET. I suppose it might be suggested, too, that these plants had been constructed with a certain capacity in order to take care of a certain proportion of the entire live stock.

Mr. COLVER. Yes; that was the suggestion Mr. Murdock made a few minutes ago, and I had also spoken of that a few moments ago by saying that that was a theory, and I said I was going to come to that theory called the "plant capacity theory" after I called your attention to this one thing.

I have called your attention to the chart, which shows that there are 5 purchasers in 12 markets, purchasing in various groups and percentages in each market, week by week, and all coming out even at the end——

Mr. DOREMUS. Pardon me, right there. You do not want us to understand that it is economically sound and advantageous for five packers to divide the market of the United States between them and each take their particular share agreed upon in advance. That really makes them the market, does it not?

Mr. STEPHENS. Well, they are.

Mr. COLVER. Absolutely.

Mr. DOREMUS. Is that a sound condition economically?

Mr. COLVER. No; I would not say so.

Mr. MONTAGUE. Did you not say so in answer to Mr. Stephens's question?

Mr. COLVER. Mr. Stephens's question, as I got it, was this: That it was economically well to be able to have facilities which would absorb at all times the supply that came to the markets, and that that absorption might be in such a way as would keep all the plants running, and I said we were not complaining about that. It would seem to me, if there were five going concerns, that competition would tend to keep those plants supplied with their material, and perhaps give somewhat better markets for the producers of these animals than an arrangement such as we find here; that competition will be better than agreement.

Mr. STEPHENS. In other words, Mr. Colver, I presume that if we could get the packers to compete for their meat animals, honestly compete for them, the equilibrium would be adjusted according to the capacity of the plants, because if a man was not getting enough animals, he would bid up a little bit and get more; but, as a matter of fact, your diagram there would indicate, as well as in other places in this report, that there is not much competition between them in buying.

Mr. COLVER. No. Now, this brings us, with one more figure in your mind, to the consideration of the plant capacity theory.

We find this straight line of the ratio of the total purchases in 12 markets by 5 packers, and yet we find that the receipts of live stock at those 12 markets, week by week, constitutes the widest fluctuating line of all [indicating dotted line on chart]. So we find, in the year 1916, which we are now studying, that in one week the receipts at the 12 markets totaled only 62,006 cattle, and in the largest week the receipts were 190,686, and yet the percentage or straight line of year to date weekly averages is not disturbed.

The CHAIRMAN. On purchases?

Mr. COLVER. On purchases. Now, to come to Mr. Sweet's point. On the theory of plant capacity, that does not parse; it does not work out. A theory of plant capacity would work all right if the supply were constant, but the theory of plant capacity does not work when you have a week of 62,000 head receipts against a week of 190,000

receipts, because no plant on the 62,000 a week was anywhere near capacity, and it is assumed that on the 190,000 a week all the plants must have been at or near capacity.

So I would say that the plant-capacity theory does not prove out in the light of these wide fluctuations.

Mr. PARKER of New Jersey. How long do they keep their cattle in their yards?

Mr. COLVER. Just as brief a time as possible.

Mr. PARKER of New Jersey. How many weeks do they sometimes keep their cattle in the yards?

Mr. COLVER. One or two days; rarely a week.

Mr. PARKER of New Jersey. They rarely keep their cattle a week?

Mr. COLVER. Yes.

Mr. SWEET. In other words, then, your position is that these plants are not being run at full capacity at all times?

Mr. COLVER. They are not. Having this chart before you and reading the one on the upper part of the page, with Mr. Sweet's question in mind and remembering Mr. Murdock's suggestion, you will find the low week—the 62,000—was the week of April 8. Now, following the week of April 8 up this column, you find that the proportions of purchases of the five concerns were no more violent in their fluctuation than they were in many other weeks. In other words, when there were few cattle on the 12 markets the five packers bought in relatively the same proportions. There are variations, but not unusual, and they did not at all disturb the steady proportional lines in the "year-to-date chart"—the lower diagram. Take the week of April 8 and add to it all the preceding weeks of the year and you find that curves are not disturbed at all.

Now, going to the week of November 18, which was the high-receipt week, and when 190,000 animals were purchased and disposed of in these 12 markets to these five concerns, and following that week—the week of November 18—down, you find no unusual fluctuation in the percentage relation of the purchases of the five companies to each other and to their total purchases; and following the same date on down to the lower diagram, which shows the percentages of purchase by the five packers for the year to date by weeks, you find no evidence of any variations there in that week or caused by that week.

So that the plant-capacity theory does not seem to work. The figures seem to be distinctly against it.

LOCAL SLAUGHTER.

Mr. HAMILTON. May I ask you a question, Mr. Colver?

Mr. COLVER. Certainly.

Mr. HAMILTON. From your investigation you have not any doubt that there has been and is a cooperative understanding among the packers as to the prices to be paid for meat on the hoof, have you?

Mr. COLVER. No; I have not any doubt of it.

Mr. HAMILTON. Your investigations have led you to that conclusion. Take the smaller farmer, the producer of hogs, sheep, and cattle to a limited extent—is not the price fixed in respect to the local butchers' price by this price-controlling power, and does not the local butcher pay the local farmer about the same price that prevails in relation to the meat in the larger markets; so that if there is an oligarchy, it extends to the humblest hogpen in the country; is that your conclusion?

Mr. COLVER. I think that the local butcher buys pretty much on the market, and the market is fixed——

Mr. HAMILTON. And the local consumer pays big city prices, as a rule, for the steak he buys at the local market, does he not, as a rule; that is also your conclusion, is it not?

Mr. COLVER. I think it is; oh, unquestionably.

Mr. DILLON. Mr. Colver, in that connection, are there really any local people engaged now in the killing of live stock?

Mr. COLVER. For local consumption—you mean the village butcher?

Mr. DILLON. Yes.

Mr. COLVER. Oh, yes.

Mr. DILLON. The local butchers have all been driven out by these packers?

Mr. COLVER. Not entirely—no; there is still local slaughtering.

Mr. DILLON. But it is very limited, is it not?

Mr. COLVER. It is limited.

Mr. DILLON. The tendency is to drive the local butcher out of business, is it not?

Mr. COLVER. They have been disappearing, and they are decreasing in number rather than increasing, and they are decreasing in their percentage of purchase of the live stock of the country proportionately.

I do not want to have it appear that we are saying here—and it is a good time, I think, to make it clear, so that there can not be a confusion—that these five packing concerns have a domination and a very great control and a very great percentage of all the animals that are used as food. We do say that that exists with respects to the animals used as food and shipped in interstate commerce; and then we say that that volume of animals proportionately is very great with respect to the whole. But if you add to the number of animals that are purchased and slaughtered and prepared for food by independent packers in interstate commerce all those that are killed on the farm (and of which statistics are secured for you by the Department of Agriculture) and all those that are killed by the village butchers, you get a substantial figure to offset against the total purchase by these five packers. But, manifestly, the animal that is slaughtered on the farm for domestic, for home use, the animals that are killed by the village butcher for local consumption, are not in competition, are not in interstate commerce; and the question that we are directing our attention to is the meat industry in interstate commerce, and the proportion is so much greater that, while it is related in thousands, when you think of the thousands of farms and the thousands of homes in the country—when the packers give you figures in thousands of the animals they do not get, it will look big. But that figure will be composed, if you ask it to be analyzed when it is given to you, very largely of the farm-slaughtered animal or the animal slaughtered by the local butcher; and when you come to analyze it and find out how much there has been of destruction of competition in interstate commerce in this industry, the figure will change very much in its significance.

Mr. HAMILTON. The local butcher, say, in a town of 5,000 or 10,000 within 100 miles or perhaps a little more of Chicago, will not perhaps find enough stock on the hoof, in his vicinity, to supply the needs of the patrons of his market, and therefore, as a rule, that

local butcher buys meat of the packer, does he not, to supply in part his local trade, and completes his stock from such animals as he can pick up from time to time locally?

Mr. RAYBURN. Do you mean fresh meat?

Mr. HAMILTON. Yes; that is exactly what I mean.

Mr. RAYBURN. That is entirely true of the section in which I live, and I am within 100 miles of the packing plants of Armour and Swift in Fort Worth.

Mr. HAMILTON. I think it is true in the vicinity of Chicago.

Mr. SWEET. It is true in northeastern Iowa, I know.

Mr. HAMILTON. Now then, the prices that the butcher pays for his meat, in other words, the prices that the packers fix are the prices that control him in his dealings, and in all probability he will endeavor to buy the animals on the hoof for as much less as he possibly can; is that correct, too?

Mr. COLVER. Of course, he naturally would want to take advantage of any freight differential.

Mr. HAMILTON. He never rises above the fountain head of prices fixed by the combine, does he—did you ever hear of any such thing?

Mr. COLVER. No; we have no knowledge of such an instance.

Mr. MONTAGUE. Is the price of cattle in the small town noticeably affected by the price fixed by the packers?

Mr. COLVER. Oh, yes. The local market, that is, the price at which the local sale is made, is a reflection of the market on that day or the previous day in the local paper which is the Chicago, the Omaha, or one of the other big markets.

Mr. MONTAGUE. I ask that because I understood you to say a moment ago there was no relation between what was called the farm cattle slaughtered by the local butcher and the cattle that went into the great combine.

Mr. COLVER. I did not mean to say that there was no relation. I mean to say——

Mr. MONTAGUE (interposing). Perhaps I might have misunderstood you. Perhaps you meant to say that you were only dealing with live stock that entered into interstate commerce and were not dealing with the prices fixed by the local butcher—perhaps those last words are not apt, but I will let them stand.

Mr. COLVER. Yes; I think that is a better statement of the point I made.

FIVE-YEAR DIAGRAMS OF CATTLE, SHEEP, AND HOG PURCHASE PERCENTAGES.

To come back to your question, Mr. Doremus, you asked if this chart I was reading from had only to do with cattle, and whether or not we had considered the other sorts of animals. Without going into an examination of the chart, which is on the opposite page——

Mr. DOREMUS. If it is in the report, I can read that later in the day.

Mr. COLVER. There is a chart [chart referred to inserted on opposite page] opposite page 57 having to do with cattle, sheep, and hogs, and for the calendar years accumulatively 1914, 1915, 1916, and 1917; but without going into that table, which is similar to the one I have just been talking about as to the cattle, I can give you in a word the percentages of the stock purchases at the 12 largest markets by the five great packers and all other purchasers—that is, the relation between the purchase by these five packers and by all others in these

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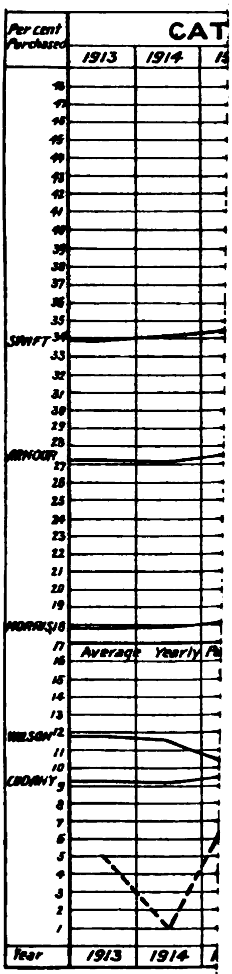

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12 markets. These are not just the same markets I have been speaking of in connection with the cattle chart, but include most of the same ones.

BIG PACKER PROPORTION OF TOTAL SLAUGHER AT 12 PRINCIPAL LIVE STOCK MARKETS.

Mr. DOREMUS. Let me ask you, then, right in that connection: Have you any information showing the proportion of the total production of live stock that is marketed in the 12 places and taken by or absorbed by these five concerns?

Mr. COLVER. Yes. That is a better way to describe these figures I am about to give you. I am going to give you now the total purchases in the 12 great markets, and then I am going to give you the proportion or percentage which was purchased by the five great packers and purchases by all other than the five great packers.

Mr. HAMILTON. Will you name the 12 great markets?

Mr. COLVER. They are Chicago, Kansas City, Omaha, St. Louis, New York City, St. Joseph, Fort Worth, St. Paul, Sioux City, Oklahoma City, Denver, and Wichita.

Mr. PARKER, of New Jersey. Are you reading from the book?

Mr. COLVER. I am referring to page 40, Mr. Parker.

Mr. ESCH. That excluded the Pacific slope?

Mr. COLVER. Yes.

Mr. ESCH. They have some separate arrangement there?

Mr. COLVER. Yes; the Pacific coast matter was treated separately in this part of the report. Part 2 has been treated separately.

The CHAIRMAN. Will you state a percentage of the purchases in these 12 markets by the five great packers, and then give the percentages of all other purchases in those 12 markets?

Mr. COLVER. The number of animals purchased in these 12 markets which I have just recited——

Mr. SWEET (interposing). When you say "animals," you mean hogs and cattle?

Mr. COLVER. I am going to classify them. The number of animals purchased in these 12 markets in the calendar year of 1916, and the proportion in which they were purchased, the percentage, with respect to whether they were purchased by one of the five great packers or by somebody else, are as follows:

Cattle.—Total purchases, 6,440,140; purchased by the five great packers, 94.4 per cent, or by head, 6,081.698; and purchased by other than the five great packers, 358,442; the percentage for all others is 5.6.

Calves.—The total disposed of through these 12 markets was 1,410,854, of which the five great packers purchased 1,257,151, or 89.1 per cent, all other purchases being a total of 10.9 per cent.

Similarly, in the same markets and with the same identification as to sheep—total purchases or sales—if we want to call them "sales"—9,552,943; of which the five great packers got 9,005,559, which was 94.3 per cent, leaving 5.7 per cent for all other purchasers.

As to hogs—the receipts were 24,399.923, of which the five great packers were the purchasers of 19,768,776, or 81 per cent; the purchases of all other than the five great packers was 19 per cent, or a total of 4,631,157 hogs.

Now, counting these animals by the head, which is a somewhat misleading thing to do because they are of different value; they are

different price per pound; they are of different value, of different size as to their yield of food and all that sort of thing, so it is not very illuminating to add unlike things together and get percentages. However, it can be done and considered for what it is worth, and it shows that in the 12 markets the receipts of all these animals, cattle, calves, sheep, and swine, the total receipts were 41,803,807 head for the calendar year 1916; and of these the five great packers purchased 36,113,184, which is 86.4 per cent.

All other than the five great packers who purchased in those 12 markets purchased a total of 5,690,686, which is 13.6 per cent.

Attention is immediately attracted here to the fact that the proportion is the smallest as between the five great packers and all others with respect to hogs, and the primary reason for that is this: That in the marketing of the hogs the refrigerator car is not so essential. The hog is turned into provisions, bacon, hams, salted meat, etc., and for that reason the refrigerator car does not play so important a part in that side of the industry. That, if anything, adds to what we have before said to you about the effectiveness of the refrigerator car as a means of control in this industry.

Mr. HAMILTON. How many packing corporations are there outside of the so-called five packers?

Mr. COLVER. I think, rather than put in a fragmentary sort of a list, Mr. Hamilton, if you are willing we will get one up more carefully and put it in later.

Mr. HAMILTON. I think it would be advisable to have it in the record.

Mr. COLVER. Yes; I will do that.

(The material referred to was subsequently furnished, and is here inserted, as follows:)

LIST OF INDEPENDENT SLAUGHTERERS.

The independent slaughtering firms in the United States are as follows:

On June 30, 1917, the commission found 623 independent firms engaged in local (intrastate) trade which slaughter one or more kinds of animals. It found 227 independent firms which do an interstate business which slaughter one or more kinds of animals. The names and addresses of these interstate independent slaughterers are given below.

In submitting the number of independent local slaughterers and the names of the interstate independent slaughterers it should be stated that the commission does not make the positive statement that all of the firms enumerated are really independent of one or the other of the big five. It can only state that at the present it has no convincing evidence that they are controlled by the big five. It is known that some of them are very closely tied up with the big packers by leasing or other arrangements. The commission is not able to say that these arrangements constitute "control."

INTERSTATE INDEPENDENT SLAUGHTERING COMPANIES.

Agar Co., John, 4001–4051 Union Street, Chicago, Ill.
Allison & Co., J. H. (Inc.), 1201–1203 Fort Street, Chattanooga, Tenn.
Arbogast & Bastian Co., 1–19 Hamilton Street, Allentown, Pa.
Aron, A. (Inc.), 335 Johnson Avenue, Brooklyn, N. Y.
Aronhime Packing Co., Bristol, Tenn.
Augusta Packing Co., New Savannah Road, Augusta, Ga.
Barton & Co., Seattle, Wash.
Baton Rouge Abattoir, Baton Rouge, La.
Bauer's Sons, Jacob, 2932 Massachusetts Avenue, Cincinnati, Ohio.
Baum, Joseph, 308 Central Avenue, Kansas City, Kans.
Belmont Farm Products Co., Belmont, Mass.
Belz Provision Co., J. H., 3601 South Broadway, St. Louis, Mo.
Birmingham Packing Co., 2105 Morris Avenue, Birmingham, Ala.

Blumenstock & Reid Co., 3261 West Sixty-fifth Street, Cleveland, Ohio.
Boise Butcher Co. (Ltd.), Boise, Idaho.
Bornwasser Co., L. P., 929 Geiger Street, Louisville, Ky.
Boyd, Lunham & Co., Union Stock Yards, Chicago, Ill.
Brennan Packing Co., 3916 Butler Street, Chicago, Ill.
Brighton Dressed Meat Co., Brighton Abattoir, Brighton, Mass.
Bristol Packing Co., Virginia Avenue, Bristol, Tenn.
Brown, A. L., Nisqually, Wash.
Brown Bros., 534 West Ray Street, Indianapolis, Ind.
Buckley Co., John J. (Inc.), 34 West Second Street, Chester, Pa.
Bull, J. C., jr., Co., Arcata, Cal.
Burk, Louis, Girard Avenue and Third Street, Philadelphia, Pa.
Burkhardt Packing Co., the Henry, Dayton, Ohio.
Butchers' Packing Co. of Cincinnati, 529 Poplar Street, Cincinnati, Ohio.
Butchers' Abbatoir, post office box No. 506, Augusta, Ga.
Capital Meat & Live Stock Co., Denver, Colo.
Carondelet Packing Co., 8000 Ivory Avenue, St. Louis, Mo.
Carr, George G., Main Street, West Newbury, Mass.
Carstens Packing Co., Tacoma, Wash.
Cheshire Farm, Keene, N. H.
Chicago Packing Co., 4531–4539 Gross Avenue, Chicago, Ill.
Chieffetz & Greenberg, 264 Hudson Avenue, Brooklyn, N. Y.
Cincinnati Abattoir Co., 3241 Spring Grove, Cincinnati, Ohio.
Cleveland Provision Co., Commercial Road, Cleveland, Ohio.
Cochrane Packing Co., Central Avenue and Water Street, Kansas City, Kans.
Cohen, Nathan, Brighton Abattoir, Brighton, Mass.
Columbus Packing Co., Columbus, Ohio.
Comstock & Co., 199 Canal Street, Providence, R. I.
Consolidated Dressed Beef Co., Philadelphia, Pa.
Corkran, Hill & Co., Union Stock Yards, Baltimore, Md.
Crane Co., M., 651 West Thirty-ninth Street, New York, N. Y.
Cray Packing Co., S. J., Bellows Falls, Vt.
Cudahy Bros. Co., Cudahy, Wis.
Danahy Co., Metcalf and Clinton Streets, Buffalo, N. Y.
Davis, C. A., 9 Fair Street, Newburyport, Mass.
Decker & Sons, Jacob E., Mason City, Iowa.
Dold Packing Co., Jacob, No. 745 Williams Street, Buffalo, N. Y.
Drummond Packing Co., Eau Claire, Wis.
Dryfus Packing & Provision Co., First and Ellsworth Streets, La Fayette, Ind.
Dubuque Packing Co., Sixteenth and Sycamore Streets, Dubuque, Iowa.
Dunlevy Packing Co., Hamilton Avenue and Enterprise Street, Pittsburgh, Pa.
East Side Packing Co., Second Street and Lynch Avenue, East St. Louis, Ill.
Eckart Packing Co., Fred, 1825 West Main Street, Fort Wayne, Ind.
Elliott & Co., Thirty-seventh Avenue west, Duluth, Minn.
Elmore Live Stock Co., P. O. box 43, Peoria, Ill.
Engelhorn, John, 17–23 Avenue L, Newark, N. J.
Erhardt & Sons, G., 545 Poplar Street, Cincinnati, Ohio.
Evansville Packing Co., The, Morgan Avenue and Harriet Street, Evansville, Ind.
Farmers' Cooperative Packing Co., North Street and Chicago, Milwaukee & St. Paul Railway tracks, Madison, Wis.
Farmers' Cooperative Packing Co. of Wausau, Wausau, Wis.
Farmers' Serum Co., National Stock Yards, St. Clair County, Ill.
Felin & Co., John J., 4144 Germantown Avenue, Philadelphia, Pa.
Fergus Packing Co., Fergus Falls, Minn.
Fesenmeier Packing Co., Fourteenth Street and Madison Avenue, Huntington, W. Va.
Figge & Hutwelker Co., 621–635 West Fortieth Street, New York City.
Fink & Sons, A. (Inc.), 129 Belmont Avenue, Newark, N. J.
Fockes' Sons Co., The William, East Springfield Pike, Dayton, Ohio.
Folger, Jacob, Phillips Avenue, Toledo, Ohio.
Forbes & Co., W. S., Hermitage Road, Richmond, Va.
Fostoria Provision Co., The, Fostoria, Ohio.
Frank, Moe, 604 West Fortieth Street, New York City.
Freise Packing Co., 3654 Gravois Avenue, St. Louis, Mo.
Freund, Charles A., Rachel and Henshaw Streets, Cincinnati, Ohio.
Freund, Ernest, 1215 West Liberty Street, Cincinnati, Ohio.

Freund Packing & Manufacturing Co., St. Joseph, Mo.
Frye & Co., Seattle, Wash.
Fuhrman, L. P., 1010 Clinton Street, Buffalo, N. Y.
Fullerton & Co., D., Warren and East Fifth Street, Paterson, N. J.
Gall, S. W., 2119–2125 Freeman Avenue, Cincinnati, Ohio.
Gebelein, John A., 731 North Castle Street, Baltimore, Md.
Godel & Sons, E., foot South Street, Peoria, Ill.
Goldberg, Moses, Brighton Abattoir, Brighton, Mass.
Gordon & Co., Walter, 406 Mystic Avenue, Somerville, Mass.
Gotham Packing Co. (Inc.), 352 Johnson Avenue, Brooklyn, N. Y.
Greenwald Packing Co., Union Stock Yards, Baltimore, Md.
Guggenheim Bros., Forty-sixth Place and Parker Avenue, Chicago, Ill.
Gumz & Co., R., 125 Muskegon Avenue, Milwaukee, Wis.
Haehnle, Erhardt, 1817 John Street, Cincinnati, Ohio.
Hagan & Cushing Co., Moscow, Idaho.
Halligan, Thomas, 606 West Fortieth Street, New York City.
Hammond, Standish & Co., 341–363 Twentieth Street, Detroit, Mich.
Hardy, Charles S., 710–722 Sixth Street, San Diego, Cal.
Hart & Bros. Co., The, Fifth and Poplar Streets, Wilmington, Del.
Hauser Packing Co., Box A, Arcade Station, Los Angeles, Cal.
Hausman & Sons, George (Inc.), Fifty-first and Westminster Street, Philadelphia, Pa.
Haverhill Abattoir Co., Hillsdale Street, Haverhill, Mass.
Heil Packing Co., 2216 La Salle Street, St. Louis, Mo.
Heinbold & Co., K., 808 North Chester Street, Baltimore, Md.
Henneberry & Co., South Summit Street, Arkansas City, Kans.
Hoffman Packing Co., John, 2131 Baymiller Street, Cincinnati, Ohio.
Hoffman's Sons Co., The John, 2148 Coleraine Avenue, Cincinnati, Ohio.
Hohman & Sons, C., 2038 East Monument Street, Baltimore, Md.
Holtsinger Co., S. M., Morristown, Tenn.
Home Packing & Ice Co., First and Chestnut Streets, Terre Haute, Ind.
Hormel & Co., George A., Austin, Minn.
Houlton Dressed Meat Co., Pleasant Street, Houlton, Me.
Houston Packing Co., Houston, Tex.
Hull & Dillon Packing Co., The, Pittsburg, Kans.
Independent Packing Co., Forty-first and Halstead Streets, Chicago, Ill.
Indianapolis Abattoir Co., Morris Street and White River, Indianapolis, Ind.
Indian Packing Co., Green Bay, Wis.
Inland Meat Co. (Ltd.), Bridge Street, Clarkston, Wash.
Inter-County Cooperative Packing Co., New Richmond, Wis.
Interstate Packing Co., Winona, Minn.
Interstate Vaccine Co., Kansas City, Mo.
Iowa Packing Co., Des Moines, Iowa.
Jacksonville Packing Co., Jacksonville, Ill.
Jockers, John, 1907 Dunlap Street, Cincinnati, Ohio.
Jones Dairy Farm, The, Fort Atkinson, Wis.
Jones & Lamb Co., Pennsylvania and Fulton Avenues, Baltimore, Md.
Juengling, Gustav, 2869 Massachusetts Avenue, Cincinnati, Ohio.
Kahn's Sons Co., The E., 519 Livingston Street, Cincinnati, Ohio.
Kaiser, George, 81 North First Street, Kansas City, Kans.
Kansas Packing Co., Fourth Avenue east, Hutchinson, Kans.
Kaufman Beef Co. (Inc.), Union Stockyards, Baltimore, Md.
Kingan & Co. (Ltd.), Union Stockyards, Indianapolis, Ind.
Klinck Bros., 588 Howard Street, Buffalo, N. Y.
Klinck Packing Co., C., 37 Depot Street, Buffalo, N. Y.
Kohrs Packing Co., 1343 West Second Street, Davenport, Iowa.
Krey Packing Co., Twenty-first Street and Bremen Avenue, St. Louis, Mo.
Kriel, Charles G., 7 West Henrietta Street, Baltimore, Md.
Kroger Grocery & Baking Co., Bank and Winchell Streets, Cincinnati, Ohio.
Kuhn, Michael, jr., 3098–3100 Coleraine Avenue, Cincinnati, Ohio.
Kurdle Co., The Thomas J., 3811 Eastern Avenue, Highlandtown, Md.
Lake Erie Provision Co., The, Cleveland, Ohio.
Layton Co., The, Muskego Avenue, foot Thirteenth Street, Milwaukee, Wis.
Lehman, C., 321 Johnson Avenue, Brooklyn, N. Y.
Levy, Aaron & Co., 262 Hudson Avenue, Brooklyn, N. Y.
Levy, M. & D., 224 Ninth Street, Brooklyn, N. Y.
Lohrey Packing Co., 2827–2829 Massachusetts Avenue, Cincinnati, Ohio.

Louisville Provision Co. (Inc.), 914–920 East Market, Louisville, Ky.
Lowenstein's Sons Co., The A., John and Livingston Streets, Cincinnati, Ohio.
Luer Bros. Packing & Ice Co., 707–719 Second Street, Alton, Ill.
McMillan Co., J. T., St. Paul, Minn.
Manhattan City Dressed Beef Co., 403–405 East Forty-fourth Street, New York, N. Y.
March Packing Co., The A. H., 139 Front Street, Bridgeport, Pa.
Martin Co., D. B., Union Stockyards, Baltimore, Md.
Martin, The D. B. Co., of Delaware, Market and Thirtieth Streets, Philadelphia, Pa.
Maynes, R. J., 3034–3036 Market Street, Philadelphia, Pa.
Meyer Packing Co., The H. H., Central Avenue, Cincinnati, Ohio.
Meyer's Sons, Henry, 2855 Sidney Avenue, Cincinnati, Ohio.
Miller, Charles & Co., 37–42 Secaucaus Road, North Bergen, N. J.
Miller & Hart, Forty-fifth Place and Packers Avenue, Chicago, Ill.
Mindick, M., Brighton Abattoir, Brighton, Mass.
Missouri Valley Serum Co., 50 North Second Street, Kansas City, Kans.
Morrell & Co., John, Haynes Street, Ottumwa, Iowa.
Morristown Packing Co., Morristown, Tenn.
Morristown Produce & Ice Co., Morristown, Tenn.
Mulford Co., H. K., 428 South Thirteenth Street, Philadelphia, Pa.
Murray & Co., Frank J. (Inc.), Chester, N. Y.
Natchez Dressed Beef Co., Natchez, Miss.
Neuhoff Abattoir & Packing Co., 1310 Adams Street, Nashville, Tenn.
Newhof, Lewis, 410 South Pearl Street, Albany, N. Y.
New York Veal & Mutton Co., First Avenue and Forty-third Street, New York City.
Nuckolls Packing Co., Pueblo, Colo.
Ogden Packing & Provision Co., Ogden, Utah.
Ohio Provision Co., The, Clark Avenue, and Big Four, Cleveland, Ohio.
Olathe Packing Co., Olathe, Kans.
Old Dutch Market, Washington, D. C.
Paggendick, Daniel, 1815 John Street, Cincinnati, Ohio.
Pancero, Charles, 2871 Massachusetts Avenue, Cincinnati, Ohio.
Pancero, Howard, 260 Stark Street, Cincinnati, Ohio.
Paresky, I., Brighton Abattoir, Brighton, Mass.
Parker, Webb & Co., Michigan Avenue and Twentieth Street, Detroit, Mich.
Pearl Packing Co., 710 North West Street, Madison, Ind.
Penley, E. W., 37 Knight Street, Auburn, Me.
Pfaelzer, Louis & Sons, 3927–3943 South Halstead Street, Chicago, Ill.
Pfund & Sons, G. F., 3945 Germantown Avenue, Philadelphia, Pa.
Plaut, Samuel, 407 East Forty-fourth Street, New York City.
Rath Packing Co., Elm & Sycamore Streets, Waterloo, Iowa.
Reading Abattoir Co., 216–232 Pine Street, Reading, Pa.
Rehn, W. G., 441 Bank Street, Cincinnati, Ohio.
Reiland Packing Co., Grand Rapids, Wis.
Roberts & Oake, Forty-fifth and Center Avenue, Union Stock Yards, Chicago, Ill.
Rohe & Bro., 527 West Thirty-sixth Street, New York City.
Rosslyn Packing Co., Rosslyn, Va.
Routh & Co., W. C., Logansport and S. W. Pike, Logansport, Ind.
Royal Serum Co., The, Kansas City, Kans.
The Ruddy Packing Co., Kansas City, Kans.
Rupp Packing Co., The George, Sycamore Street and Monument Avenue, Hamilton, Ohio.
Sahlen Estate, Joseph, 318 Howard Street, Buffalo, N. Y.
St. Louis Independent Packing Co., 3857 Chauteau Avenue, St. Louis, Mo.
San Antonio Meat Co., Pomona, Cal.
Sander Packing Co., A., 1024 Gest Street, Cincinnati, Ohio.
Sartorius Provision Co., 2734 Arsenal Street, St. Louis, Mo.
Scanlan, J. M. & P., 613 West Fortieth Street, New York City.
Schenck & Sons Co., Center and Second Streets, Fulton, Wheeling, W. Va.
Schlachter's Sons, Jacob, 2831 Coleraine Avenue, Cincinnati, Ohio.
Schloss, Held & Schloss, Avenue D and Astor Street, Newark, N. J.
Schluderburg & Son, William, Bank and Third Streets, Highlandtown, Md.
Schroth Packing Co., The J. & F., Cormary Street, Cincinnati, Ohio.
Seltzer Packing Co., Water Street, Pottsville, Pa.

Siegel-Hechinger Packing & Provision Co., 968–970 Thirty-eighth Place, Chicago, Ill.
Sihler Hog Cholera Serum Co., The, 1602 West Sixteenth Street, Kansas City, Mo.
Standard Serum Co., The, 11 South Second Street, Kansas City, Kans.
Statter & Co., Leech Street and Floyd River, Sioux City, Iowa.
Stolle, Anton, & Sons Packing House, 40 Liberty Avenue, Richmond, Ind.
Stoppenbach's Sons, C., Jefferson, Wis.
Strauss & Adler, 606–611 West Fortieth Street, New York City.
Sucher Packing Co., The Charles, North Western Avenue, Dayton, Ohio.
Sullivan Packing Co., 256 Beecher Avenue, Detroit, Mich.
Tovrea & Co., E. A., Bisbee, Ariz.
Tazewell Packing Co., North Tazewell, Va.
Theurer-Norton Provision Co., The, Stock Avenue and West Sixty-third Street, Cleveland, Ohio.
Twin City Packing Co., 210 Belleview Street, Menominee, Mich.
Ulmer Packing Co., Jacob, Walnut and Railroad Streets, Pottsville, Pa.
Valentine Meat Juice Co., High & Goddin Streets, Richmond, Va.
Van Dyck Co., L. H., Gardiner, Mont.
Vissman & Co., C. F., 417 Bickle Avenue, Louisville, Ky.
Vogel & Son, Jacob, 2604 Coleraine Avenue, Cincinnati, Ohio.
Vogt & Son, F. G., Thirtieth and Race Streets, Philadelphia, Pa.
Washington Abattoir Co., Bennings, D. C.
Ware County Light & Power Co., 52 Wall Street, New York City. (See Waycross Packing Co., Waycross, Ga.
Weill & Isaacs, 244 Hudson Avenue, Brooklyn, N. Y.
Western Packing & Provision Co., 3854 Morgan Street, Chicago, Ill.
White, J. & D. M., Brighton Abattoir, Brighton, Mass.
Williams Live Stock Co., The, Hallstead, Pa.
Wilmington Abattoir & Cold Storage Co., 220 Tatnal Street, Wilmington, Del.
Wilson Provision Co., Foot South Street, Peoria, Ill.
Wolff Packing Co., Charles, Topeka, Kans.
Zehler Provision Co., The George, 1705 Logan Street, Cincinnati, Ohio.
Zehner Bros. Packing Co., The, Union Stock Yards, Toledo, Ohio.
Zoller Co., William, 350 Spring Garden Ave., Pittsburgh, Pa.

Mr. Sweet. Can you give the percentage of meat that is transported by refrigerator cars owned by the packers?

Mr. Colver. I can not do it now, but I have hoped to be able, perhaps to-morrow, to go into the whole refrigerator-car matter, and that would be, of course, one of the essential things in any such an examination.

Now, I do not want to be understood——

BIG PACKER PROPORTION OF INTERSTATE SLAUGHTER AT 12 MARKETS AND ELSEWHERE.

Mr. Rayburn (interposing). Let me ask you there—you read some figures there about the number of cattle purchased in the 12 great markets, and the percentage that was bought by the five big packers. That does not represent, of course, the percentage of cattle in the country that are packed by other packers outside of these five?

Mr. Colver. When you ask whether it does not represent it, you mean that that percentage does not?

Mr. Rayburn. Yes.

Mr. Colver. No.

Mr. Rayburn. Now, could you give us that?

Mr. Colver. I was just about to say—I think the beginning of my sentence will show that I started to say this: I do not want to be understood as saying that these figures which I have given now are figures for the total sale or purchase of live stock in the country. I am saying this: That these figures represent a very great proportion and represent all the animals sold at the 12 greatest markets.

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...	Calves.		Sheep.	
...d.	Per cent.		Head.	Per cent.
...854	100.0		9,552,943	100.0
...151	89.1		9,005,559	94.3
...703	10.9		547,384	5.7
...696	100.0		2,619,320	100.0
...791	53.1		1,513,315	57.8
...005	46.9		1,106,005	42.2
...550	100.0		12,172,263	100.0
...942	76.6		10,518,874	86.4
...608	23.4		1,653,389	13.6

Swine.		Total.	
...d.	Per cent.	Head.	Per cent.
...923	100.0	41,803,870	100.0
...776	81.0	36,113,184	86.4
...157	19.0	5,690,686	13.6
...479	100.0	22,534,143	100.0
...193	33.8	8,333,233	37.0
...976	66.2	14,200,910	63.0
...402	100.0	64,338,013	100.0
...269	61.2	44,446,417	69.1
...133	38.8	19,891,596	30.9

... ations show that the
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actions, are on the basis of the going market. Now the purchases of 94.4 per cent of the cattle in the 12 great markets, if five concerns so purchase that a cumulative percentage of the purchases, week by week, shows no variation, and so no competition; those five purchasers, buying on an agreed—or at least in a way that works out as if it were an agreed—percentage, must make the market, and, having made the market, other people must buy or do buy at the market.

Mr. HAMILTON. That is, you discover that, whether by coincidence or otherwise, the packing organization outside of the five packers are paying substantially the same prices for meat on the hoof as are paid by the five packers; and they are selling the finished product at substantially the prices received by the five packers?

Mr. COLVER. Exactly so.

Mr. HAMILTON. In other words, the figures given by them are the governing figures, the index figures. That is your conclusion?

Mr. COLVER. Yes, sir; it is.

Mr. HAMILTON. I want before we finish—or when you return—to ask you something about the returns to the packers on by-products, so called, of slaughtered animals. It is somewhat interesting and I know very little about it. I assume you have had occasion to investigate. I am told that there is a considerable return from by-products and that some of the uses of these by-products are in the nature of trade secrets.

(Mr. Colver submitted the following in answer to Mr. Hamilton's question concerning the packers' returns on by-products:)

BY-PRODUCT PROFITS.

The books of the five chief packers operate according to an accounting system which usually shows losses on main products (carcass meats), and profits—sometimes very large profits—on so-called by-products. Thus, Armour & Co., in the fiscal year 1916, the most profitable year that the company had ever known to that time, exhibited an aggregate loss in the "dressed beef" departments of their 11 chief packing plants of $1,438,761, while a gain of $3,156,901 was shown in the primary by-product departments during the same period.

Armour & Co.

1916—52 weeks.	Dressed-beef department losses.	"Beef section"[1] by-product profits.	1916—52 weeks.	Dressed-beef department losses.	"Beef section"[1] by-product profits.
Chicago	$636,615	$854,448	New York	$10,851	$327,575
Kansas City	256,649	678,519	Hamilton	19,981	23,355
Omaha	178,406	561,987	Denver	30,935	65,318
St. Louis	107,060	231,386	Fowler	31,042	6,305
Fort Worth	27,946	196,489			
Sioux City	54,423	74,743	Total	1,438,761	3,156,901
St. Joseph	84,853	136,776			

[1] Includes the following departments: Hides, oleo, casings, beef tanks, vinegar-pickled beef products, fresh beef products, beef cutting, beef curing, dried beef.

That Armour & Co. put little faith in the above losses on beef, as exhibited by the books of the "dressed-beef department," is attested by the practice of combining both the beef losses and the primary by-product profits into one net total when figuring the profit per pound of beef sold. This area of doubt as to what is the true profit or loss on meat, as against the true profit or loss on live-stock by-products, extends over the whole field of packers' departmental results. No two packers select the result of the same departments when they are working up profits per pound or per head for public announcement. Thus the difference between Armour and Swift methods is well illustrated by the following letter:

[Private.]

CHICAGO, *June 23, 1916.*

Messrs. LOUIS F. SWIFT, EDWARD F. SWIFT:

Referring to Henry Veeder's letter June 13 to L. F. S. regarding Borland resolution, in which Mr. Meeker is quoted as saying that Armour made a profit of $1.19 per head on cattle for certain period (ours for same period $1.28 per head):

Mr. Chaplin understands that Armour's includes their canners, which ours does not, part of their sausage results, and has 10¢ added per head for good measure for by-products transferred at market prices which ours does not.

If our and Libby's cattle were thrown together for the period, without including sausage or anything for good measure, it would bring ours up over $2 per head.

Mr. Chaplin didn't think there could be as much difference as this, but checked it pretty close and understands definitely that theirs includes all of the abovementioned, which ours does not.

CHARLES H. SWIFT.

In other words, had Swift included canning, sausage, and 10 cents for good measure, as did Armour, in figuring a profit per head, Swift would have had to report a total of $2, rather than the $1.28 per head actually reported.

In spite of these difficulties, which the packers are quick to recognize when public information in regard to profit is required, the books go along year after year, recording departmental profits and losses with apparent finality. Here, for instance, are book results of certain by-products departments during the past few years:

	1912	1917		1912	1917
Armour & Co.			Swift & Co.:		
Oleo	$559,543	$1,247,861	Oil house	$1,343,700	$119,997
Woll and pelts	275,988	983,014	Lard	555,033	2,368,887
Fresh sausage	299	1,348,408	Soap	[1] 535,104	564,913
Canned meats	85,339	1,447,651	Glue	170,771	1,214,238
Glue	187,264	1,453,651	Leather	1,490,462	5,214,292
Fertilizer	418,590	2,737,691	Cudahy Packing Co., glycerine	68,108	396,521
Leather	604,741	2,431,887			

[1] Loss.

According to their own methods, the packers exhibit some very large profits in so-called by-products during the fiscal year 1918, as follows:

Company.	Department.	Profit on investment.[1]
		Per cent.
Morris & Co.	Glue	123
	Beef extract	135
Armour & Co.	Mince meat	91
	Pork and beans	118
	Gut strings	97
Swift & Co.	Animal food	93
	Fertilizer	113
Cudahy Packing Co.	Pepsin	148
	Glycerine	62

[1] Including borrowed money.

NOTE.—Interest is not included as an operating charge in arriving at these profits.

These figures may reflect in a very general way the profitableness of certain by-products, but because of the fact that the raw material costs upon which these results are based start from a transfer value so low as to almost invariably produce a book loss in the main-product meat department—an obvious distortion of the facts which the packers admit—these by-products profits must accordingly usally be too high and meat profits too low.

In fact the line between packers main products and by-products has never been clearly drawn. Animals are killed for their hides and fats as well as for their meat, and when certain lesser products, such as glycerin, command a very high price due to a sharply increased demand the buyer of live stock takes this factor into consideration when naming the price he will pay. Cer-

tainly in an economic sense hides, fats, fertilizer, and perhaps other products are, due to their enormous importance in society, not by-products at all, but main products only less important than meat.

According to the packers' system of bookkeeping, however, a system which the commission questions, the dressed meat of the steer, calf, sheep, and the various primary cuts of the hog are regarded as the sole main product, all other parts of the animal being merely by-products.

The main products, so called, are handled in an accounting department known as "Dressed beef" department, "Dressed mutton" department, "Fresh pork cuts" department, etc., the total live cost of the animal being charged thereto, together with the killing and dressing expenses. The department is credited with sales of meat, and also with the transfers of all remaining material to other so-called by-product departments, such as hide department, oleo department, casings department, fertilizer department, bone-house department, etc. A profit or loss is then calculated periodically on the operations of the main-product department, which figure gives the packers the basis of their statements as to profits on meat. Similar figures are calculated for by-product departments, which give the basis for packers' statements as to profits on by-products.

Meanwhile the so-called by-products are transferred to their own particular department at a price which is said to be determined by prevailing market conditions. This transfer value is the great weakness of the present accounting methods of the packers so fas as accurate determination of profits by individual products is concerned. Based on a "market" rather than a cost valuation, a "market" which is often unknown or "made" by the big packers themselves, the possibility of throwing profit from the main product to the by-product, or vice versa, by taking the transfer price only a fraction of a cent higher or lower becomes unlimited. By depressing the transfer price of hides, for instance, beef profits are lowered and hide profits inflated. By raising the transfer price of dried blood meat profits are increased and fertilizer profits diminished.

However conscientiously the packers may endeavor to establish fair and reasonable transfer prices, the very fact that there is no outside market standard upon which to securely base them (Swift & Co. testified that they got their prices chiefly "out of their heads"), and even if there was a standard, the fact that the whole principle of market transfers is, from the accounting viewpoint, unscientific renders the exact determination of profits by main products versus by-products impossible. And, further, if, as the commission can prove, the packers have not always conscientiously valued their transfers at the market, when market quotations happened to be available, the situation becomes increasingly confusing and hopeless.

It is the opinion of the commission that the packers' books as now kept have never shown a scientific or reliable distinction between the profits of meat products and the profits of by-products. For not only do transfer values produce confusion, but the pricing of inventories (where market not cost is again the basis), the distribution of overhead expense, the distribution of branch-house and car-route profits back to the plant departments, and numerous other matters, present difficulties which, while theoretically soluble, have never been scientifically and uniformly worked out for the packing industry. Thus it is found that the packers as a rule load their main office administrative expense almost entirely on their packing plants, leaving their outlying by-products plants (tanneries, fertilizer plants, and the like) comparatively free from a burden which strictly they should share. Only a sweeping revision of the whole procedure of allocating indirect expenses can bring about a situation in this field alone which would warrant the commission and the public in accepting with confidence the cost and profit figures here prepared. The five chief packers use widely varying methods at present, and it is obvious that if one method is right the other four are ipso facto unreliable.

Neither the commission, the packers, nor anyone else is in a position to state authoritatively what profits have been made in meat as against by-products during the packers' history. The only certain thing is that on the animal as a whole great and accelerating profits have been made. Starting with an initial capitalization of $160,000 in 1867 (and it is not certain that this was paid in in cash), the stockholders of Armour & Co. have an equity to-day valued on the books at over $160,000,000, or a thousand times the original capitalization—after having drawn out some twenty-eight millions in dividends and never having invested an additional dollar in cash during the 50 years—so far as the commission can learn.

Armour & Co.—and the same can be said of the others—has made enormous sums of money in the packing business. The margin between what they pay for live animals and what they receive for all the resulting products has always been sufficient to pay all expenses, including large and questionable overhead disbursements, and have a profit great enough not only to satisfy the stockholders but to build and buy new plants and to greatly extend their control in other lines of business. For it must never be forgotten that the packers have grown out of excess profits, not out of new cash capital. The fact that they always have made money, with or without the modern extensive fabrication of by-products, naturally points to the fact that they know how to buy the animal in the cheapest market and sell his products in the dearest, and that when the business as a whole shows large earnings it is reasonable to assume that both the meat and the other product have been profitable. Certainly lacking a scientific cost system, the question as to where exactly the profit has been made can never be answered.

EFFECT OF COMBINATION ON INDEPENDENT PACKERS.

Mr. DOREMUS. Mr. Colver, I think what the committee is interested in now in connection with this live-stock pool is its effect upon the general meat industry of the country. Now, of course, there are a lot of independent packers scattered throughout the country. I think there are a number in Detroit, independent packing houses who have no connection with this so-called pool. Now, these figures which you have submitted would lead one to believe that the live-stock pool impairs to a greater or less extent the ability of these independent operators to purchase a sufficient amount of live stock for their business. What I would like to ask you is whether the commission has reached any conclusion as to the effect of the live-stock pool upon the independent packing houses. Do I make the question clear to you?

Mr. COLVER. Yes. It is difficult to sum up in a single answer what will amount to a general and sweeping conclusion of the commission, but my own understanding of the belief of the other members of the commission is that the practical effect of this present situation is that the independent concern exists by sufferance. Some of them are very tough-fibered, and they are living through some pretty hard times, but they continue to live, some of them, but they are disappearing; it is not now an industry that attracts independent capital. Now, much is said to the effect that to reasonably limit and reasonably restrain these five great concerns is unfair in that it discourages them in the investment and employment of further capital in this business. On the other hand, their unrestrained and uncontrolled operations make this industry just about the least attractive in this country for the investment of any other person's capital. So that if we are thinking about making investments of capital in packing safe and attractive, there are both sides to be thought of, and I say that the final conclusion is that the size of these companies, the special advantages which they have, the interacquaintanceship which they have and the interrelations and the interagreements which they have, do make the business of the independent packer a precarious one, an unattractive one for new capital, and to a very great measure those independents continue in business by sufferance.

Mr. DOREMUS. Well, now, following that up, would the capitalist hesitate to invest his money in an independent packing concern because of his fear of the inability of the independent packing concern to get its proper supply of live stock by reason of the existence of this pool?

Mr. COLVER. Yes.

Mr. HAMILTON. One question in that connection——

Mr. MURDOCK (interposing). Mr. Hamilton, will you permit me for a moment—I do not know whether you are willing to go into it or not, but I think it is applicable here, and if you can state it I would like to have you state the situation as to Austin, Minn.

Mr. COLVER. If it is agreeable to the committee I would like to have Mr. Murdock state that, because he is familiar with the situation.

Mr. HAMILTON. Before you do that, I just want to ask one question and then that will leave the field open for the discussion of this particular town.

Is there evidence of combination among the packers outside of the so-called five great packers?

Mr. COLVER. Yes; there are indications of local agreements—not interstate agreements, but local agreements in various towns where there are two or more independents.

Mr. HAMILTON. I have in mind now independent packers who are doing an interstate business, who have grown to a size sufficient to be doing an interstate business.

Mr. COLVER. My use of the word "interstate" there was unfortunate. I meant that as to independent packers in various States, widely separated, we find no evidence at all of any understanding between them, but as to independent packers, two or more of them in the same locality, we do find some evidence there of local agreements.

Mr. HAMILTON. Now, these packers outside of the so-called five great packers, do any of them have cars?

Mr. COLVER. Yes; some of them have cars.

IOWA HOGS.

Mr. SWEET. Right in that connection, I would like to ask a question, so that the record may show the condition in Iowa.

Is it possible for you to state the percentage of hogs each year that go to the five great packers from Iowa?

Mr. COLVER. I had the Iowa figures here the other day, but I did not bring them this morning. I will bring them later.

Mr. SWEET. Now, I would like to have you put into the record the percentage of cattle and the percentage of sheep and the percentage of hogs that are produced in Iowa each year, that go to the five great packers.

Mr. COLVER. We will do the best we can on that, and I think we can give you the full figures.

(The following was furnished subsequently in answer to the question:)

IOWA HOGS WHICH ARE BOUGHT BY THE FIVE BIG PACKERS.

It is impossible to state just what percentage of the hogs sold by the farmers of Iowa in any one year is bought by the five big packing companies. A large number of the Iowa hogs are sold on markets outside of Iowa—at Omaha, St. Paul, and Chicago, and to some extent at St. Joseph, Kansas City, St. Louis, and other markets.

The records of the big packing companies do not show the origin of the hogs which they buy; therefore it is impossible to state just what number of Iowa hogs they buy on these markets. It is known, however, that the Big Five at Omaha and St. Paul buy over 90 per cent of all hogs sold on those markets and at Chicago they buy over 40 per cent. A considerable number of hogs are country bought by the big packers in Iowa, but the commission has not available the exact number which are so bought.

In the year 1916 the number of hogs slaughtered at the packing plants located in Iowa owned by the Big Five were as follows:

Wilson & Co. (Inc.) (T. M. Sinclair & Co., Cedar Rapids)	584, 259
Armour & Co., Sioux City	680, 000
Cudahy Packing Co., Sioux City	593, 324
Total	1, 857, 583

In the same year the independent packing companies located in the State of Iowa, according to their returns, slaughtered 1,335,254 hogs.

The CHAIRMAN. Now, what is it you want to say, Mr. Murdock?

INDEPENDENT PLANT AT AUSTIN, MINN.

Mr. MURDOCK. I want to answer the question of Mr. Doremus as to whether or not the independent packer is robbed of the chance at the market by the circumstance that the larger packers take away the supply of raw material—of live stock.

In my travels about the country I came once into the town of Austin, Minn. It is a town of about 10,000 people—a beautiful town situated by a little lake not very far north of the Iowa border, and it is peculiar in this, that it is surrounded by east and west railroads and north and south railroads, railroads running through Iowa and St. Paul, Minn., railroads that go east and west from Sioux Falls and Sioux City and Chicago. Not all of those railroads go into Austin. In the city of Austin I found a very fine packing plant, an old institution which had grown up with the city and which had maintained itself against the larger packers. During this investigation—and this answers your question directly—it was discovered that the larger packers, the five big packers—or some of them—had established around the city of Austin, Minn., concentration buying places, places where stock could be intercepted on its way into Austin, taken away from Austin and shipped into Chicago.

Now, I had some hesitation in bringing this up, because I did not want to reveal particularly that here is a fine independent packing establishment which is working under some hardship and which in the course of events in the development of this industry and the concentration of control will finally disappear. But that is a notable example of how it can be done. It may be that a little later the establishment at Austin will be tendered financial help. I can say that if it is tendered financial help, it will probably be from one of the banks in coalition with one of the big packers; and if I were a prophet, I would predict that in 5 or 10 years that establishment will not be in independent existence.

Mr. DOREMUS. The permanency of this independent packing house in Austin is dependent upon its becoming, sooner or later, affiliated directly or indirectly with the five big packers?

Mr. MURDOCK. Yes; though I would not call it "affiliation." I think it would be an absorption.

Mr. HAMILTON. In your observation were these suburban buying stations, so to speak, doing a competitive business? You say they were intercepting stock on its way to Austin.

Mr. MURDOCK. And giving a price for the live stock, of course, which purchased it.

Mr. HAMILTON. So that the producer in that case was given the benefit of competition?

Mr. MURDOCK. Always; temporarily.

Mr. DOREMUS. What about the consumer; where did he get off?

Mr. MURDOCK. The answer to Mr. Hamilton's question is this: Of course, while these larger packers are intercepting the supply of the Austin institution, the price must have been up, necessarily, because there was increased competition, but in the end, when the institution at Austin has disappeared, and in the long run, the producer of the live stock will get less, because with the disappearance of the competitor in the long run the competitive price would not be offered the producer of live stock.

Mr. HAMILTON. And they would push the price to the level fixed by the powers controlling it.

Mr. ESCH. Mr. Murdock, the Austin plant is largely making hog products, is it not?

Mr. MURDOCK. Yes.

Mr. ESCH. Is it a fact that an independent who goes largely into the manufacture of hog products can stand the competition of the packers longer and better than the independent plant that deals for instance in beef products?

Mr. MURDOCK. Yes, sir.

Mr. ESCH. Is that due to the fact that there are less by-products in hog meats than in cattle meats, and that the advantage of the big packers in their by-products does not obtain so largely in the case of hog products?

Mr. MURDOCK. That must undoubtedly be an element, and the further element, as Mr. Colver cited, is the fact that a considerable portion of the hog can be smoked or salted down and that there is not the same intimate relation between the salted part of the hog and the especially equipped refrigerator car as there is between fresh beef and the refrigerator car.

The CHAIRMAN. In other words, hog meat can be cured by the slaughterer, whether he is a packer or not, and kept and sold as cured meat, whereas beef can not be handled in that way.

Mr. MURDOCK. Unquestionably, the retreat of the independent packer is into the hog business.

Mr. DILLON. Mr. Murdock, I want to ask you a question there. In this investigation did you find that these five packing companies paid a higher price at Austin than they did at other points of shipment?

Mr. MURDOCK. I don't recollect that, but I think that is a natural corollary of my statement.

Mr. DILLON. And there was more competition there than there was at other points?

Mr. MURDOCK. Yes.

DENVER "PLANT CAPACITY."

Mr. COLVER. I suppose you are just about to close, Mr. Chairman, and before you do close, in just a moment, perhaps, I can give something that I wanted to give with respect to Mr. Sweet's question of the plant-capacity theory, and I want to quote from a letter written by Philip D. Armour, 3d., to Mr. J. Ogden Armour; written from Denver, October 19, 1915, which, I think, tends to dispose of this plant-capacity theory, and sheds a little light on whether or not there is any agreement as to division of purchases between the big packers. I read from the letter, as follows, without reading it all—it is all on page 76, part 2 of the commission's report, which is before you:

Swift's plant, from what I hear and from the little I saw of it, is far ahead of ours—

That is, the Swift plant at Denver is far ahead of the Armour plant at Denver—

both as to size and condition. Of course, as you know, everything here is done on a 50–50 basis, and with the facilities we have it is almost impossible to keep up this ratio.

That is to say, again the plant-capacity theory does not stand up. Here is a market which has grown so that the agreed division of 50–50 has outgrown or is pressing sorely the capacity of one of the two plants, and if that plant—if the Armour people want to continue to be able to absord 50–50 in the growing receipts of Denver they must increase their plant capacity; not to measure the amount of stock they buy by the capacity of the plant, but to measure the capacity of the plant they must have by the agreed division of the purchases in that market. I think that is a fair inference, a fair statement of what he was trying to tell his uncle.

The CHAIRMAN. Mr. Colver, there is a call of the House, and the committee will have to adjourn. Can you be back promptly at 10.30 to-morrow morning?

Mr. COLVER. Yes, sir.

The CHAIRMAN. We will adjourn, then.

(Whereupon, at 12.15 o'clock p. m., the committee adjourned until 10.30 o'clock a. m., Saturday, January 4, 1919.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Saturday, January 4, 1919.

The CHAIRMAN. The committee will come to order. Mr. Colver, you may proceed in your own way and make any further statement that you desire.

I believe you were going to submit some statements supplementing what you said yesterday. Have you those ready now?

Mr. COLVER. There were three statements, as I remember it.

The CHAIRMAN. It does not make any particular difference; but I thought if you had them ready, you might submit them now.

Mr. COLVER. One was a list of the independent packers, and we have not been able to get that all collected and verified and checked. The other thing was an estimate of the total slaughter in the United States, and that figure is not ready. We had to get some Department of Agriculture figures to check against ours. The third thing was the proportion of fresh meats shipped in refrigerator cars owned by the big packing companies; that is, the proportion between the big packing companies and all other companies, and that we will come to in the development this morning of the private car or refrigerator-car question as a whole, which is the thing we want to offer you this morning.

The CHAIRMAN. You may proceed then in your own way.

Mr. COLVER. Then there was a question about the value of the by-products and a statement is being made up but is not ready.

The CHAIRMAN. You can add anything to your statement when you revise your notes, whether you have it here now or not.

Mr. COLVER. And there was also a question about the total number of food animals produced in Iowa and their disposition. I have

not that ready this morning but will have it ready. It is unfortunate that we have so many things on hand and it is difficult to check these things up and be prompt with them. I will bring the statements in very soon.

DEVELOPMENT OF REFRIGERATOR CARS.

Mr. Chairman and gentlemen of the committee, if it will be interesting, this morning we can go somewhat in detail, but briefly, into a general examination of the refrigerator car, and in touching on that we will try to indicate the vital importance of the refrigerator car and some of the uses and abuses of the refrigerator car. In order that it may be quite clear, I will say that we must keep in mind the distinction of the two classes of the refrigerator car, the beef car and the refrigerator car. The word "refrigerator," I suppose, is inclusive of both classes. If we wanted to speak of them in the two classes, we would call one the beef car and the other the ventilator refrigerator car. So that sometimes in speaking of refrigerator car we are speaking inclusively of both beef cars and ventilator cars, but when we are directing your atention to the beef cars themselves, If I should slip and call it a refrigerator car, I will ask Mr. Breimier to correct me because we must keep that distinction in mind in order to have the figures——

The CHAIRMAN (interposing). You say the beef car; do you mean a car used exclusively for the transportation of beef?

Mr. COLVER. Yes; Mr. Chairman, or fresh meats.

The CHAIRMAN. I was going to ask if it would not apply to mutton or pork or any other fresh meat transported, as well as beef.

Mr. COLVER. It would. The essential difference is this, in the first place, the beef car, so called, differs from the ventilator car in that it is equipped with brine tanks in place of bunkers.

The CHAIRMAN. What I meant was, is it used for anything except beef, any other fresh meats?

Mr. COLVER. Yes. I will try to cover that in my description of the car. A beef car is not a ventilator car and is equipped with beef racks, so that the beef can be transported hanging from rails just as you see it in the coolers of the butcher shops. In certain seasons of the year, in cold weather, the ordinary ventilator refrigerator car may also be used for beef, and temporary racks are put in. It is a relatively expensive thing to equip a car with temporary racks, and there is a frequent loss in the failure to have returned to the man who equips a car especialy like that the equipment that he puts in which are the trestles or racks for hanging the beef on, and the meat hooks which go over the rails on which the meat is hung.

You asked if the beef car is not used for other products. It is. It is not only used for any other fresh meats but a car with fresh beef in it is also sometimes filled out as to its cargo with other things, and that is a very important thing to keep in mind as we talk about these beef cars; that is, the filling out of the cargo of the car with things other than fresh beef.

Mr. HAMILTON. May I interrupt there to ask a question? When you refer to refrigerator cars, you mean two kinds of cars, beef cars and ventilator refrigerator cars.

Mr. COLVER. Yes.

Mr. SWEET. And a beef car is one that has in the car racks or hangers for beef?

Mr. COLVER. Yes.

Mr. SWEET. And the beef is suspended from the roof of the car?

Mr. COLVER. From those rails, yes; and the car is equipped with brine tanks in which crushed ice and salt are placed.

The CHAIRMAN. Now, you may proceed, Mr. Colver.

Mr. COLVER. It is probable that the development of the meat packing industry, as we find it to-day, would not have been possible if it had not been for the invention and adaptation of the refrigerator car which later was refined into the beef car; unless that had been done or something equivalent to it, because the transporting of fresh meat for long distances in all weathers can only be accomplished by the use of the refrigerator beef car, or some other method that would arrive at the same end.

It was very necessary. In a sense, it is the foundation of the packing business as at present run. The present principle of circulation of air as a method of refrigeration was first discovered or worked out by William Davis, of Detroit, and was first used by Hammond, of that city. Philip D. Armour, the original Armour in this business, was the man of the big vision who saw the possibilities of the thing. Wait, let me correct that. Gustavus Swift first started the long-distance use of the refrigerator car. Philip D. Armour intensively developed it, and those two men laid the foundation for the meat industry as we find it now when they saw the possibilities of the refrigerator car and developed it and invested their money in it. They certainly rendered an enormous service to the public. The difficulty now is that that extremely useful instrument after having served a wonderful purpose in public service and for the building up of this industry and making it possible to feed the country, has, like many other good things, been abused. It being a big thing and being a useful thing, has gathered around it certain distinct abuses, and we are calling your attention to the abuses around it, suggesting how, if possible, those abuses may be corrected, and that without hardship to the industry or the usefulness of the instrument.

Mr. RAYBURN. Let me ask you right there if I may interrupt you. Has anybody owned these cars and operated them except the packers?

Mr. COLVER. Yes.

Mr. RAYBURN. Do they now?

Mr. COLVER. Yes. I am coming to that in detail in a very few minutes.

Mr. PARKER, of New Jersey. Are they patented or have the patents run out?

Mr. COLVER. The patents have run out. There are minor patents, I suppose, on various things.

Mr. PARKER of New Jersey. Yes; on different things, but the cars can be used free of patents.

Mr. COLVER. Oh, yes; I would say so. Of course, there are minor attachments for refinement of refrigeration.

Mr. PARKER of New Jersey. Oh, certainly, just as there are on typewriters and sewing machines and all that sort of thing, but the use of the main principle is free to the public because the patents have all run out?

Mr. COLVER. Yes; so far as patent control is concerned the device is free to be used by the public, but there are some other difficulties in the way of their general use.

In the beginning the packing companies, especially Swift and Armour, besought the railroad companies to furnish these cars. The railroad companies refused to do it. There were numerous reasons for the refusal, but, briefly stated, these special-service cars represented a very large investment and they were more or less experimental at that time. They were new and therefore the railroads objected to making investment in them.

Mr. PARKER of New Jersey. What date was that, please?

Mr. COLVER. About 1880. It was along in 1880 when the greatest period of railroad expansion was going on, and when the railroads were put to it for capital for their railroad expansion and were not keen to go into any side line like this. The railroads also were in doubt as to the permanency of a large traffic that would warrant an investment in this special-type car, and a third reason was that the railroads had a profitable traffic at that time in live animals, for the shipping of which they had an adequate supply of stock cars, and were satisfied with the transportation situation as it then was.

PROPORTION OF BIG PACKER CONTROL OF REFRIGERATOR CARS.

The use of these beef cars and refrigerator cars has been very greatly extended since 1880, and the ownership of cars as of December 31, 1917—and other cars used in the packing industry—owned by the five big packers and independent packing companies is as follows:

Comparison of cars owned by Big Five packers and the independent packing companies, Dec. 31, 1917.

Kind of car.	Big Five.		Independent packing companies.		
	Number.	Per cent.	Number.	Per cent.	Total.
Beef cars	15,454	93.1	1,146	6.9	16,600
Other refrigerator cars	1,600	67.0	789	33.0	2,389
Stock cars	1,970	100.0			1,970
Tank cars	1,049	90.2	114	9.8	1,163
Miscellaneous equipment	117	88.0	16	12.0	133
Total	20,190	90.7	2,065	9.3	22,255

Mr. COLVER. This table I have just read then shows a comparison of the cars owned by the big packers compared with the cars owned by the independent packing companies as of December 31, 1917.

I will now give you a table showing the percentage of refrigerator cars owned by the big packers and other interests as of December 31, 1917, in which we bring in besides the independent packers other interests which own refrigerator cars, and we give this by percentages. Having given you the car figures before, now we will build up by percentages because that is equally illuminating and makes briefer tables.

Taking all the refrigerator cars and leaving out, Mr. Hamilton, the stock cars now, and dividing them as between beef cars and ventilator cars, the five big packers own 91.6 per cent of all the beef cars in the country. The independent packing companies own 6.8 per cent of the beef cars. The other private car companies other than packers, just private car companies, own 1.6 per cent of the beef cars and the railroads own none.

Percentage of refrigerator cars owned by Big Five packers and other interests, Dec. 31, 1917.

Interests owning cars.	Beef cars.	Other refrigerators.	All refrigerator cars.
Big Five packers	91.6	7.2	19.4
Independent packing companies	6.8	.8	1.6
Other private car companies	1.6	6.0	5.3
Railroad interests:			
Railroads operating companies		32.0	27.4
Railroads		54.0	46.3
Total	100.0	100.0	100.0

Mr. COLVER. When we come to other refrigerator cars——

Mr. PARKER of New Jersey (interposing). Other kinds of refrigerator cars?

Mr. COLVER. Other types of refrigerator cars, not beef cars.

Mr. PARKER of New Jersey. That is what I said.

Mr. COLVER. The big packers own 7.2 per cent, the independent packing companies eight-tenths of 1 per cent; other private car companies 6 per cent, railroad operating companies 32 per cent, and the railroads themselves 54 per cent, giving the railroad ownership a total of 86 per cent of refrigerator cars other than beef cars.

We have subdivided railroad operating companies and railroads. The railroad operating companies are subsidiary companies; that is, companies owned by the railroads for the purpose of owning and operating these cars.

Mr. HAMILTON. Will you repeat that last statement? I do not think I caught the full purport of it.

Mr. COLVER. I said that in setting out the figure of 86 per cent as the ownership by railroad interests of refrigerator cars other than beef cars, we subdivided it into railroad operating companies and railroads, railroad opearting companies being subsidiaries or operating companies owned by the railroads for the purpose of operating these special-type cars.

Mr. HAMILTON. That is, they are subsidiary companies organized for the purpose of operating these particular cars, are they?

Mr. COLVER. Exactly, and that covers 32 per cent.

Mr. HAMILTON. Do these companies operate over all railroad lines?

Mr. COLVER. Yes; the car operating companies exchange their equipment back and forth on other roads than the parent road that owns the company owning the cars.

Mr. HAMILTON. And their business is to manufacture these cars and operate them?

Mr. COLVER. Their business is to own and operate them, whether they manufacture or buy them.

Mr. SWEET. Instead of operating you mean furnishing them to the railroad companies, do you not?

OPERATION OF REFRIGERATOR CARS.

Mr. COLVER. The operation of the refrigerator car is more than merely the furnishing of it to the railroad or the shipper. It involves the care of it, the icing of it, the getting it back to the place where it is needed, the train dispatching of it. The refrigerator car has a seasonal use. It is useful in one part of the country at one time and in another part of the country at another. So that the subsidiary

or the railroad which owns and operates the refrigerator car for the railroad—not beef car but refrigerator car—sees to it that these cars are moved rapidly, expeditiously, by short routes, and are returned back to places where they can be expected to have immediate cargoes.

Mr. SWEET. But the railroad companies handle the cars?

Mr. COLVER. Oh, yes; the railroad company takes its revenue for the freight. The refrigerator car company takes its revenue for the special service performed added to the ordinary freight rate.

Mr. HAMILTON. Those cars operated by these subsidiary companies, then, are available to all shippers of meat products, are they?

Mr. COLVER. They are available to all shippers, but those cars are not adapted, except in cold weather and under certain conditions, which I will explain, to the carrying of fresh meat. If a ventilator refrigerator car were to be used for carrying fresh meat, it would involve the equipping of it inside with the racks and other equipment, and also in hot weather, it would not be a satisfactory car for the transportation of fresh meat.

Mr. HAMILTON. Why do not the five packers avail themselves of these subsidiary car operating companies instead of furnishing their own cars—or do they employ them?

Mr. COLVER. They do. Some of the independent packers think that they avail themselves of the facilities to the exclusion of the independents, sometimes. The operation of the refrigerator car in the beginning was an extremely profitable operation, extremely so. In the early days, the cars would pay for themselves in four years. that is, make a 25 per cent net profit on their cost, above operation.

Mr. PARKER of New Jersey. Is there anything to prevent any shipper from putting a beef car on the railroad tracks?

Mr. COLVER. Now?

Mr. PARKER of New Jersey. Yes. The railroads can not refuse him, can they?

Mr. COLVER. No; I think not. I think that in just a moment we will come to something that will help on that question.

The CHAIRMAN. Before you get away from that point, Mr. Colver, you spoke of the fact that in the early days these cars earned perhaps 25 per cent. Did you have reference to the beef car or both the beef car and the refrigerator car?

Mr. COLVER. In the early days this refinement had not come about. They were not beef cars. They were very useful and relatively efficient, but they were not like the specialized car of to-day. They were just refrigerator cars. In the beginning they were simply cars with boxes of ice in the end, more or less insulated against heat, and that is about all they were, and gradually they have developed into very scientifically refrigerated receptacles.

The CHAIRMAN. They have been further specialized?

Mr. COLVER. They have been further specialized into beef and ventilator cars. It might help satisfy your question, Mr. Hamilton, to say that, generally speaking, the refrigerator car owned by the railroad company is used by the railroad company or their operating subsidiary to handle fresh fruit and vegetables and things of that sort which originate on their line, and seasonally, as the crops shift seasonally, those cars are shifted from one railroad to another, so that freight originating on one railroad is carried in the same car after it leaves that railroad and goes to another, or to a second or a third one.

Mr. Hamilton. That is, there is a store of cars available, for illustration, in the fruit season.

Mr. Colver. Yes.

Mr. Hamilton. And when they want this particular kind of car, various railroad companies themselves avail themselves of this supply of cars?

Mr. Colver. The exchange of the cars between the roads is not so great for the originating freight. That is a matter somewhat of competition as to excellence of equipment between the various roads, and so I do not think in answer to your question I ought, generally, to say yes.

LIVE-STOCK CARS.

Now, just to close up this special equipment car subject, we come to the other type which is the stock car, and a comparison of the stock cars owned by the five packers, by private car companies, and by railroads as of December 31, 1917.

Mr. Parker of New Jersey. What is the total number of those cars?

Mr. Colver. The total number is 107,472, and here, as we said on the first day of this hearing, the extent of the ownership by the packers is relatively small; in fact, it is vey small except as to the double-deck cars.

These live-stock cars for the transportation of live animals are owned as follows:

The double-deck cars owned by the five packers are 1,671, which is 15.1 per cent of the total.

The private-car companies own 1,046, which is 8.2 per cent of the total, and the railroad companies own 10,007, which is 78.7 per cent of the total, the total number being 12,724.

Of the single-deck stock cars, the five packers own 299, which is three-tenths of 1 per cent only. The private-car companies own 12,956, which is 13.7 per cent, and the railroads themselves own 81,493, which is 86 per cent, giving a total of this type of 94,748, and a total ownership of both types by the five big packers of 1,970, or 1.8 per cent; by the private car companies, 14,002, which is 13 per cent; and by the railroads themselves of 91,500, which is 85.2 per cent, the total number of cars of this sort being 107,472.

Total of all stock cars owned by Big Five packers, private car companies, and railroads, Dec. 31, 1917.

Kind of car.	Big Five packers.		Private car companies.		Railroads.		Total.	Per cent.
	Number.	Per cent.	Number.	Per cent.	Number.	Per cent.		
Double deck	1,671	13.1	1,046	8.2	10,007	78.7	12,724	100
Single deck	299	.3	12,956	13.7	81,493	86.0	94,748	100
Total	1,970	1.8	14,002	13.0	91,500	85.2	107,472	100

It should be clearly understood that I have said private car companies and not independent packers.

ADVANTAGES OF AND EARNINGS FROM REFRIGERATOR CARS.

The five packers have a practical monopoly of beef cars in the United States, owning 91.6 per cent of those cars.

The railroads own 85 per cent of the stock cars, but if the double-deck stock cars are taken separately, Swift & Co., one of the five packers, owns 13 per cent of those.

The ownership of the beef car and to a degree of the stock car, too, free the five packers who own them very largely from transportation difficulties. The small, independent packer is frequently unable to secure any cars at all, and the cars at his disposal are usually not adapted to the carrying of fresh meat; that is, they are not beef cars, so called, and his expense of constructing beef rails from which the beef may be hung amounts approximately, to $20 per car, and the hooks which cost $45 to equip a car are very frequently lost and not returned to him. This is the handicap he is under in attempting to fit out a car other than a beef car for the transportation of fresh meat.

The five packers have an advantage from the ownership of the cars which makes it unnecessary for the earning of a great return or much of a return on the investment in the car equipment. The ownership, however, of these cars, has been profitable at all times. In 1905, Commissioner of Corporations Garfield said that the profits of the large packing companies then owning these cars netted more than 17 per cent profit on the investment, and statements that have been made, for instance, by the Cudahy Co., show that in 1902 the return was 22 per cent; in 1903, 20 per cent; and in 1904, 17.7 per cent.

Mr. Parker of New Jersey. Do you mean on the cost of the car or on all their investment?

Mr. Colver. On the investment involved in the ownership of the cars, which is not only the ownership of the cars themselves, but of various transportation facilities required for their proper and effective use.

Mr. Esch. And that allows for depreciation?

Mr. Colver. That is net, above depreciation.

From 1905 to October, 1917, the mileage returns from the railroads to the owners of these cars remained stationary, and during this time there was a great change in the type of car and an enormous increase in the cost of materials and overhead expense, and in the operation of these cars. They were more scientifically operated, more carefully operated, and the cost of the operation went up with the mileage receipts remaining about the same, so the profit went down.

Notwithstanding this increase, the profits in the operation of the packer-owned cars now, exclusive of the profits that may arise from icing and refrigeration, have averaged or are averaging about 2 per cent on the investment. When we say on the investment we bear in mind the fact that the investment has been written up 15 per cent. and the 2 per cent earning is on a basis of 115 per cent of the true original investment. That was the figure found in 1917, which up to that time was an unusual year. Whether 1918 will show as low a figure as that we do not know, but 1917 was the lowest figure that was found, and it was then about 2 per cent on the appreciated investment.

There is no complaint. Perhaps complaint is not the right word—the commission is offering no criticism that the profits from the operation of the refrigerator car are large or small. The size of those profits does not seem to enter into what we are trying to tell you. It was a useful and great thing to develop this type of rolling stock, and the men who did it were entitled to that reward which usually takes

the form of money and public applause for doing a big thing. There is no question about that, and there is no objection to the profits that are made or have been made, whether they be greater now or less now; but, as a matter of fact, they are less, very much less, and are not at all unreasonable profits. There is no complaint or no criticism at all on that score in this present discussion. I do not mean to use the word complaint. I mean it is not mentioned critically.

Mr. ESCH. Do the five packers use and operate heater cars for the shipment of any of their products?

Mr. COLVER. No; they do not.

On October 1, 1917, the mileage paid by the railroads to the owners of these cars was changed from three-quarters of a cent a mile to 1 cent a mile.

The CHAIRMAN. Do you mean that the railroads paid the companies for furnishing the cars?

Mr. COLVER. Yes. Briefly stated here is the operation of a refrigerator car or a dressed-beef car: Where the product is shipped in a car owned by the owner of the product—that is, where the packing company owns the car—it puts a cargo of meat or whatever it desires to into this car, and the car is hauled to its destination. The shipper who is the owner of the car and the owner of its contents pays the railroad the regular freight rate on that amount of freight, and the railroad pays the owner of the car 1 cent a mile for the journey of the car loaded and 1 cent a mile for the car coming back. The cars of this type usually come back empty and that is a good thing. That is to say, these cars being used for fresh beef, it is right and proper and in the public interest that they should not be used on their return trip for miscellaneous cargoes. It is very well that they should be kept and used only for such cargo as fresh meat.

So that the earnings of the privately owned car to its owner is 1 cent a mile, either loaded or empty.

The CHAIRMAN. In other words, going and returning?

Mr. COLVER. Going and returning, and the return journey is assumed to be paid for on the theory that it returns on the same route that it traveled out on.

Mr. ESCH. And then, as to the freight charged on a mixed cargo, the shipper would have to pay varying rates, depending on the character of the shipment.

Mr. COLVER. An answer to that question involves quite a number of factors. I have that here, and I am going to come to it in a moment. It is rather difficult to put in at this time, and if you do not object——

Mr. ESCH (interposing). No; just proceed in your own way.

Mr. COLVER. The profits in 1917 on the operation of stock cars—not refrigerator cars but stock cars—have been greater and have averaged in the case of the Swift Live Stock Transportation Co. and the National Manufacturing Co., both of which are Swift companies, about 14 per cent on the investment.

When we give you these earning figures, we have taken care of the operating expense, maintenance, depreciation, administration, overhead, and the whole thing, so that the figures are net figures.

ICING STATIONS.

Along with the ownership of a large number of these cars goes, naturally, the ownership of icing stations. I say, naturally. The

Interstate Commerce Commission, I believe, has said that that is not natural, but I will say they go hand in hand at least; and the five packing companies own a number of icing stations located in the territory most commonly used by the refrigerator cars. The greatest portion of their traffic moves over official classification territory, and the ownership of the icing stations gives them a very great advantage as competitors against independent packing concerns.

Under the authority of the Hepburn Act, the Interstate Commerce Commission, on July 1, 1918, directed that all these privately owned icing stations should be sold and turned over to the railroad companies for operation.

The rate per ton for ice used in reicing fresh meats and packing-house products throughout the United States is uniformly $2.50. The packers, however, at three stations jointly owned by Armour, Morris, and Swift, are able to secure their icing at an average cost of $1.60 per ton. This from figures covering the years 1915, 1916, and 1917.

The CHAIRMAN. Do you mean per ton of meat or per ton of ice?

Mr. COLVER. Per ton of ice.

Mr. HAMILTON. Did the consumer get the benefit of that?

Mr. COLVER. No. The cost to Swift & Co. at five owned and operated icing stations averages for the three years 1915, 1916, and 1917 less than $1 a ton for 40 per cent of its cars that were iced there, and $1.15 per ton for all the cars iced at those stations.

Besides the advantage of cheaper icing, the big packer who operates the icing station has additional advantages over his small competitor. He has access to the waybills of his competitor, and that is an advantage, because it gives full particulars regarding the shipment and the consignee; second, any inefficiency or defective application of the icing or the failure to exercise the greatest care may injure the shipment of the goods of his competitor; and, third, a delay in icing may cause a very serious loss in delivery, so that the consignment of his competitor may not reach its market as promptly as it would if it were not delayed in the icing. That we will come to later.

Mr. ESCH. You say that the Interstate Commerce Commission has ordered those icing stations to be sold to the companies?

Mr. COLVER. To the railroad companies; yes.

Mr. ESCH. Has that been done?

Mr. COLVER. It has been directed. Armour & Co. has transferred or sold one station to the Pennsylvania Railroad, and that is as far as the direction has been complied with at this time. The direction was only made, however, on July 31, 1918.

Mr. HAMILTON. What were the general grounds alleged for the order of the sale of these icing stations to the railroad companies? Were any grounds alleged?

Mr. COLVER. The Interstate Commerce Commission in its report to Congress, in 1904, recommended that this thing be done; that these icing stations be divorced, and it has been a continual controversy ever since.

Mr. HAMILTON. Why did they think it ought to be done? For the general reasons you have assigned?

Mr. COLVER. Yes. I think the development of this matter will show, perhaps, the theory that the Interstate Commerce Commis-

sion had then and has maintained for all these years, since 1904, when they first recommended it, up to July 31, 1918, when they finally directed it to be done.

"PEDDLER" CARS.

Besides thinking of these cars as carrying a cargo unbroken for long distances, there is another use that they are put to, a very notable use. The five packers have perfected a system which they call the peddler car, and have laid out regular peddler-car routes.

Mr. MURDOCK. Mr. Colver, Mr. Hamilton did not hear that and I think he ought to.

Mr. HAMILTON. What kind of car, did you say?

Mr. MURDOCK. A peddler car, which is their latest development.

Mr. COLVER. They lay out regular routes for these peddler cars by which they are able to ship an assortment of products so that each purchaser may receive the exact amount of products desired and the exact products desired. In all, there are 1,279 such routes in operation.

The refrigerator car has enabled the packer to perfect a system of distribution, and, as a result, there are in existence to-day, besides the peddler car, 1,093 branch houses.

Now, much is said by the packing companies of the peddler-car system, and among the other largesse that now goes to the newspapers there go large advertisements somewhat explaining but mostly praising this system of peddler-car routes.

The commission is not criticizing the peddler-car routes. It is a good thing.

Mr. SWEET. These peddler cars distribute meat throughout the country, even in another territory that is producing meat?

Mr. COLVER. Yes; first meat, and then it develops into a perambulating department store.

Mr. ESCH. It supplements the branch houses and enables them to get fresh meat to many country towns where they could not get it otherwise?

Mr. COLVER. I would say it, perhaps, in this way, it gets meat to many country towns where the local butcher is then put into direct competition.

I say there is no criticism now made, no objection made, and we are trying to get no prejudice in your mind at all against the peddler-car routes and the service that they perform.

Mr. PARKER of New Jersey. Let me ask you a question right there. Do they sell at the car or do they deliver to somebody in the town who does the selling? A peddler wagon stops and sells right at the wagon. Is there a salesman in the peddler car who sells at the switch where the car stops?

Mr. COLVER. It is sold at the door of the car. It is sold at the door of the car in this way: The order in many cases, and usually, is taken in advance.

Mr. PARKER of New Jersey. Then it is not sold at the door. It is shipped there like any other shipment and is not like a peddler wagon that goes and sells at the door of the wagon?

Mr. COLVER. I did not get the significance of your use of the word "door." It is delivered at the door of the car.

Mr. PARKER of New Jersey. Of course, all goods are delivered at the door of the car, and the only question is whether they sell as a peddler wagon does. It is not a peddler car unless it sells right from the car.

Mr. COLVER. Yes; the name "peddler" is not mine. It is their own.

Mr. PARKER of New Jersey. Do they have any long stops at any particular places? For instance, if they were peddling, they would have to stop at these places for some time, instead of going along with the train delivering their goods. They go on with the regular train, do they not?

Mr. COLVER. They usually go on with the regular train, and that brings us to another one of the things we are calling your attention to. I say we are putting no prejudice in your minds and making no complaint against the peddler car. We are just showing that it is an advantage which tends to lock this industry against the investment of money in independent enterprise in the packing industry. It is just one of the advantages, one of the entrenchments, which make the meat-packing business not a free business; not a business in which any American can with any courage or with any hope invest his money.

Mr. SHOOK. Do you think in the public interest it ought to be discontinued?

Mr. COLVER. If you can get the good out of it, the usefulness out of it, and retain that and reject the disservice about it, that would be better, I think; and that is what we are suggesting should be done.

Mr. RAYBURN. What are you suggesting will do that?

Mr. COLVER. I should think that the peddler car might properly be operated on a regular schedule and be open to all on equal terms; that is, open to any shipper.

Mr. PARKER of New Jersey. The question is whether they would do that. The railroads would not get a special profit on that, would they? Somebody has got to get the profit for running that. Are you proposing that the railroads should be well paid for it?

Mr. COLVER. I would propose, I suppose, that the railroads should be paid just as they are now for the operation of the same thing.

Mr. PARKER of New Jersey. But you would have to pay more for doing it in that way, because they would have to do more work, because they would have to supervise it. At present they do not have to supervise the car or deliver from the car. That is done, I suppose, by a representative, if it is a peddler car.

Mr. COLVER. The supervision of the delivery would be no more supervision than in the delivery of any other mixed car lot.

Mr. PARKER of New Jersey. In this case, as I understand it, the man on the car does the delivering, and not the railroad?

Mr. COLVER. No; there is no packer representative traveling with the car to make these deliveries.

Mr. PARKER of New Jersey. Then how is it a peddler car? How does it differ from any other car that is owned outside?

Mr. COLVER. Well, we are getting ahead of the development of the thing, but I would like——

Mr. PARKER of New Jersey (interposing). There are a great many cars—you will see them on the Baltimore & Ohio Railroad—a car stopping from station to station and delivering goods from station to station, which may be owned by some other railroad. The Balti-

more & Ohio is running it, but the car belongs to somebody else, and something is allowed for it?

Mr. COLVER. Yes.

Mr. PARKER of New Jersey. Now I got the impression from you that something more was done to make a car a peddler car than merely the delivery of goods from station to station.

Mr. COLVER. Well, this is what is done and this is where, I might say, the difficulty, the disadvantage arises: A car is filled with a miscellaneous assortment of goods, some fresh meat, some butcher's aprons——

Mr. PARKER of New Jersey (interposing). Is this a beef car?

Mr. COLVER. Yes; it may be either a beef or ventilator car, but in any event it is a refrigerator car. Now, it is filled, we will say, with a mixed cargo of which some is fresh meat. It starts out on its journey. It has a regular route. It stops, is opened, not by the owner of the car or the owner of the contents—it is opened and the merchandise which is to be delivered at the town where the first stop is, is taken out and delivered, as I said a moment ago, at the door of the car, on the freight house platform. The car then, if set out for the purpose of that delivery, is picked up by the next train and carried to its next destination, and so on and so on.

Mr. PARKER of New Jersey. Well, who sees that it is kept cool, kept refrigerated?

Mr. COLVER. The railroads.

Mr. PARKER of New Jersey. Do they generally do that with all refrigerator cars? Do the railroads assume the task of keeping them cooled?

Mr. COLVER. No; that is a little special arrangement.

Mr. PARKER of New Jersey. And the shipper pays for it, I suppose.

Mr. COLVER. Yes; the icing is paid for in addition to the usual freight rate.

Mr. BARKLEY. The reason for that, I suppose, is because this peddler car is longer in reaching its destination, and the original refrigeration is liable to be exhausted before it gets there, and the railroad assumes the burden of refurnishing it if it gets out before it gets to the end of the route?

Mr. COLVER. That is one way of stating it. The railroad does not exactly assume the burden. The packing companies, as we find, order them to do it.

Mr. PARKER of New Jersey. But where does the ice come from?

Mr. COLVER. The railroad company supplies it.

Mr. PARKER of New Jersey. They don't always have ice.

Mr. COLVER. For the re-icing?

Mr. PARKER of New Jersey. The railroad company doesn't have ice enough for all those cars at country stations.

Mr. COLVER. This is not an occasional thing. I am speaking now of the 1,297 regularly established routes over which these cars run in a regular way, and depending on the time of the year it is perfectly easy to know when and where ice is to be needed and the railroad companies have the ice there and put it in and are paid for it.

Mr. ESCH. How long does one icing last?

Mr. COLVER. It depends on the weather.

Mr. ESCH. What is the average?

Mr. COLVER. Twenty-four to thirty-six hours, perhaps, on a rough average.

Mr. PARKER of New Jersey. How long does the route last?

Mr. COLVER. It depends on the length and the number of stops.

Mr. PARKER of New Jersey. What do they average—what time?

Mr. COLVER. Two or three days.

Mr. HAMILTON. Mr. Colver, I would like to ask you a question. Is not the consumer after all between the devil and the deep sea in this peddler-car business? For illustration, suppose the railroads should be permitted to take over this peddler-car business, as you suggest, is it supposed that the railroad company would be sufficiently altruistic to protect the interests of the consumer? Is it not simply shifting the business from one corporation to another? Would they be solicitious about seeing that the average man got his meat cheaper than he is getting it now? Do you think so?

Mr. COLVER. No. I do not like to answer one question by asking another, but if they can do these things successfully and presumably profitably for five packing concerns in the United States, why can they not do them for others?

Mr. PARKER of New Jersey. Won't they do it if the other fellow furnishes the car?

Mr. COLVER. No; I think it was perhaps at that point——

Mr. HAMILTON (interposing). I understood you to say that you proposed that the railroad companies themselves should take over this so-called peddler business.

Mr. COLVER. Oh, no; no; not at all. We did not say that.

Mr. HAMILTON. Well, I am glad you corrected that.

Mr. PARKER of New Jersey. I thought he did.

Mr. COLVER. I said that the cars on an established route, which are started out iced and are reiced by the railroad companies, as needed, might just as well be open to all shippers of that sort of stuff as to five. That is all I said.

Mr. PARKER of New Jersey. Well, the other shipper who furnished a car, couldn't he put a car on just the same way?

Mr. COLVER. That question has come——

Mr. PARKER of New Jersey (interposing). Certainly the railroad is bound to take everybody on equal terms.

Mr. COLVER. That question has come up so much this morning that it seems to be perhaps better to answer it rather fully by changing the order of my testimony at this point. We will see now just what the effect is.

Mr. DOREMUS. Just a moment, Mr. Chairman—evidently Mr. Colver has outlined the course of his testimony this morning. Now, I wish you to ask him, Mr. Chairman, whether it would be better for him and would not interrupt the continuity of his presentation if we would suspend our questions until after he completes his statement.

Mr. PARKER of New Jersey. I should be very glad to have him do that.

The CHAIRMAN. With one exception: Sometimes a member of the committee may not understand what the witness says, and if he does not understand it then perhaps he never does. I think any member of the committee ought to have the privilege of asking a question where he does not understand the witness.

Mr. DOREMUS. Mr. Colver is a very accommodating witness and is trying to answer the questions propounded by the committee, but

just now I notice he has diverted from the subject he intended to complete to another subject in order to accommodate the committee.

Mr. PARKER of New Jersey. Mr. Dorêmus, I should prefer very much that he complete his present subject before going to another, and I would be very glad if he would postpone the answer to my question until later.

Mr. DOREMUS. He can not pursue his testimony in the order that is mapped out if he stops to answer the questions that are being submitted by the committee, and I merely wanted to find out what his disposition in the matter was. I did not intend to criticize you at all, Mr. Parker; I think your question is entirely proper.

ADVANTAGE OF BIG PACKER CARS IN MILEAGE PER DAY.

Mr. COLVER. The question which seems to be recurring here—and the same thing is constantly said by the five packers—"Why don't the independents get cars of their own? There is nothing to stop them."

The CHAIRMAN. That is, peddler cars?

Mr. COLVER. Any car. They say, "If they want stock cars, why don't they get them? If they want beef cars, why don't they get them? If they want refrigerator cars, why don't they get them?" And the question here is: "If this peddler-car thing is good, if the beef-car thing is good, if there are no patents on them, why don't they get them and operate them?"

Now, I think, apropos of this peddler-car discussion, we can go into that phase of the subject which we were coming to a little bit later in the order that I had planned.

These five big packers have such a large volume of freight business, of traffic, that they have, as very great shippers, a considerable influence on the railroads. That influence takes the form sometimes of definite, understandable figures. For example, Armour & Co., operating 4,751 refrigerator cars in the year 1917, accomplished a mileage of 131,887,153 miles. Their cars were in operation 340 days on the average, each car, and each car averaged a mileage of 81.6 miles.

The CHAIRMAN. Per day? Now, right there, Mr. Colver, you said the car operated an average of 81.6 miles. Is that per day or per month or per year?

Mr. COLVER. I thought I sad per day.

The CHAIRMAN. No; that is why I was asking this question.

Mr. COLVER. Yes; 81.6 miles per day. Thank you.

The Cudahy Packing Co.'s 1,405 cars, operating 292 days per year on the average, traveled 104.3 miles.

The CHAIRMAN. That is per day?

Mr. COLVER. Yes. Morris & Co.'s 2,423 cars averaged 340 days in the year, and accomplished 78.3 miles per car per day on the average.

Swift & Co., through the Swift Refrigerator Transportation Co., owning 6,306 cars, operated on the average 309 days in the year and accomplished 76.9 miles per day.

Wilson & Co. car lines, with 1,477 cars, operating 292 days, averaged 85.5 miles per day.

I have not read the figures for the subsidiaries of these five companies and I think we had better put them in.

The cars that I will put in now, to fill in the subsidiaries of these five big companies are the cars that are owned by, in the case of Armour & Co., the Pittsburgh Provision Packing Co., owning and

operating 41 cars, and making an average of 19.8 miles; the Libby, McNeill & Libby, owning 60 cars—when these figures were gotten up Libby, McNeill & Libby was an avowed Swift subsidiary—they made 30.1 miles.

The Union Meat Co., owning 4 cars, operated only 5.1 miles a day. That is explained somewhat by this fact, that the Union Meat Co. is at Portland, Oreg., and their 4 cars are used for short hauls—sort of a local service.

The second ownership of Wilson & Co., is T. M. Sinclair & Co., with 132 cars, which averaged 340 days in the year and 52.4 miles a day.

Mr. HAMILTON. Before you pass from that, Mr. Colver, I wanted to ask—and submit it as a suggestion to the committee—whether it will be possible for you in going over your statement to make subheadings so that it will be easy for members of the committee who refer to what you say—in the printed hearings—for instance, make the subhead "Peddler Car," and any other subhead that would enable us to turn readily to that part of your printed testimony that we might want to find?

Mr. COLVER. I will be glad to do that.

Now, for the point that we are trying to make clear to the committee—and which would be in answer to Judge Parker's question, I think—all the refrigerator cars owned by these five big packing companies show an average of 80.8 miles per day of travel.

Now, the operations of refrigerator cars owned by independent packing companies tell a very different story. I will not read it in full, but will put into the record a list of 21 independent companies who own private cars, the smallest number being that of Arbogast & Bastian Co., who own 3, and going up to Kingan & Co., who own 547 of such cars.

Mr. HAMILTON. Kingan & Co. are the biggest so-called independent concern, are they not?

Mr. COLVER. I think so; yes.

The papers referred to follow:

Operation of refrigerator cars owned by Big Five packers and affiliated companies 1917

Company.	Number of cars owned and operated.	Total car miles.	Average number of days each car was in actual operation	Average miles per car per day.
Armour & Co.	[1] 4,751	131,887,153	[2] 340	81.6
Pittsburgh Provision & Packing Co. (Armour-Allerton interests)	41	211,544	[2] 260	19.8
Cudahy Packing Co.	1,405	42,792 959	292	104.3
Morris & Co.	[3] 2,423	64,476,785	[2] 340	78.3
Swift & Co.:				
Libby, McNeill & Libby	60	586,076	325	30.1
Swift Refrigerator Transportation Co.	[4] 6,306	149,905,878	309	76.9
Union Meat Co.	4	3,744	183	55.1
Wilson & Co. (Inc.):				
T. M. Sinclair & Co. (Ltd.)	132	2,352,453	[2] 340	52.4
Wilson Car Lines	[6] 1,147	36,883,372	292	85.5
Total	16,599	429,099,964	320	80.8

[1] Owned 4,944 cars, 193 of which were leased to the Erie R. R.
[2] Estimated.
[3] Average in service; number at end of year, 2,950.
[4] Owned 6,316 cars, 10 of which were in local yard service.
[5] In special local service.
[6] Owned 1,562 cars, of which 85 were leased to T. M. Sinclair & Co. (Ltd.)

Operation of refrigerator cars owned by independent packing companies, 1917.

Company.	Number of cars owned and operated.	Total car-miles.	Average number of days each car was in actual operation.	Average miles per car per day.
Arbogast & Bastian Co.	3	(1)	(1)	(1)
Beech-Nut Packing Co.[2]	5	92,404	340	54.4
Carstens Packing Co	3	26,016	312	27.8
Cincinnati Abattoir Co	100	1,666,975	282	59.1
Cleveland Provision Co	72	588,272	321	25.5
Consolidated Dressed Beef Co	5	(1)	(1)	(1)
Cudahy Bros. (Milwaukee)	240	3,546,750	281	52.6
Jacob E. Decker & Sons.[2]	15	40,567	[2] 60	45.1
Jacob Dold Packing Co	257	3,391,552	313	42.2
Evansville Packing Co	6	98,550	292	56.3
Wm. Fockes' Sons Co	3	(1)	(1)	(1)
Frye & Co	15	82,650	268	20.6
H. J. Heinz Co.[2]	52	604,837	345	33.7
Houston Packing Co	20	216,318	345	31.4
Independent Packing Co	99	1,715,110	250	69.3
Indianapolis Abbatoir Co	[3] 65	1,755,000	330	81.8
Kingan & Co. (Ltd.)	547	9,656,998	[4] 340	51.9
John Morrell & Co	219	5,232,348	300	79.6
St. Louis Independent Packing Co	150	2,928,120	[4] 340	57.4
F. Schenk & Sons Co	5	(1)	(1)	(1)
Western Packing & Provision Co	10	219,440	[4] 340	64.5
Total	1,891	31,861,907	312	54.5

[1] No figures available.
[2] Not slaughterers.
[3] Owned 109 cars, 44 of which were operated separately and no operating statistics have been furnished
[4] Estimated.

Mr. Colver. These 21 companies that I am referring to now are not all packing companies, not all meat packers, but they are owners of refrigerator cars. I have shown you now that, taking in all the refrigerator cars operated by the five packers, you find an average daily mileage, for an average of 320 days per year, of 80.8 miles. Taking these other than the five packers who own refrigerator cars, operated similarly, and their average——

The Chairman (interposing). How many cars do they all own?

Mr. Colver. They own in all 1,891 cars. I am accounting for 1,891 cars—they make a yearly operation of 312 days as compared with 320 days made by the packer-owned cars—the five packers, they make an average mileage of 54.5 miles per day. The packer-owned cars accomplish 80.8 miles per day when in use; these others, 54.5 miles per day.

Mr. Sweet. Is that difference in mileage explained by the fact that the large packers operate over a larger territory than the other companies?

Mr. Colver. I will try to answer your question fully here.

Mr. Sweet. Well, I will not interrupt you, then.

Mr. Parker of New Jersey. The only other idea would be that the railroads made an unjust discrimination for which they are penally responsible under the statutes if it is their fault.

Mr. Colver. The answer to your question, Mr. Sweet, is partially "yes." The five packers have traffic experts, and as I think we can indicate here, they have an advantage; they get an advantage. It is shown in the figures here, in the results, that the mere ownership of the refrigerator car does not work out to be the remedy as suggested, and when it is said, "Why don't they go and get these cars?" I am

showing you that they have got them and what they get out of them. They don't get out of them as much as the five packers do, and not because of their inefficiency; not because of their own inefficiency; not because of the independent man's lack of effort to get into this game, as I think we will show you.

Now, while we are on the subject, in order to tie the two things together, taking the stock cars, the live-stock cars that are owned by the five packers and that are owned by independent packing concerns, and in order to cut it short, taking Swift & Co., Wilson & Co.'s lines, the National Manufacturing Co., and Swift & Co.'s live-stock transportation company, with a total ownership of 1,895 cars, the yearly operation for 1917 was 315 days, and the miles accomplished per day on the average was 73.6; while the operation of the 13,554 cars privately owned by private car companies and usually leased to independent packers and others, made an average of 338 days of operation in 1917 and accomplished only 22.8 miles per day.

Contrast the figure 73.6 miles per day with 22.8 miles per day.

(The following tables were submitted:)

Operation of stock cars owned by Big Five packers and affiliated companies, 1917.

Company.	Number of cars owned and operated.	Total car miles.	Average number of days each car was in actual operation.	Average miles per car per day.
Swift & Co.:				
National Manufacturing Co.	[1] 1,506	34,682,242	320	72.0
Swift Live Stock Transportation Co.	109	2,575,457	310	76.2
Wilson car lines	280	6,663,598	292	81.5
Total	[2] 1,895	43,921,297	315	73.6

[1] Average in service, including for full year the 684 cars taken over from the Western Live Stock Express Co., July 1, 1917.
[2] In addition to these cars Morris & Co. had 10 cars in service part of the year.

Operation of stock cars owned by independent private car companies, 1917.

Company.	Number of cars owned.	Number of cars for which operating statistics have been furnished.	Total car-miles.	Average number of days each car was in actual operation.	Average miles per car per day.
Doud Stock Car Co.	733	448	4,455,848	[1] 340	29.3
Le Ray Despatch Line (Inc.)	113	([2])	([3])	([3])	([3])
Mather Horse & Stock Car Co.	8,217	199	1,905,288	329	29.1
The Streets Co.	4,491	584	3,114,752	[1] 340	15.7
Total	13,554	1,231	9,475,888	338	22.8

[1] Estimated. [2] None. [3] No report.

The question is asked, "Why don't they buy or why don't they lease these cars?" They have bought them and have leased them.

Mr. PARKER of New Jersey. Do I understand that the railroads make an unjust discrimination, therefore, in favor of the packers, in your judgment?

Mr. COLVER. Yes.

Mr. PARKER of New Jersey. They do not follow the rule of "first come, first served" with reference to these refrigerator cars?

Mr. COLVER. No, sir.

Mr. PARKER of New Jersey. Well, isn't the railroad then the one that is responsible for that, under the law, that they must give equal facilities to all?

Mr. COLVER. Your questions have the effect now of bringing in new things. To answer this question I have to leave the other one, but this is the time to answer that question and I want to do it.

Mr. PARKER of New Jersey. Well, I thought that could be answered yes or no.

Mr. COLVER. I will answer it "yes."

Mr. PARKER of New Jersey. Whether there was injustice or not.

Mr. COLVER. I will answer it "yes," without any qualification whatever, but it is a very interesting question and the answer is also interesting—no; I won't answer that question "yes." You say the fault is with the railroad?

Mr. PARKER of New Jersey. I asked whether the railroad followed the rule of "first come, first served" in giving equal service to all.

Mr. COLVER. I say "no" to that. They do not follow that rule, of course.

Mr. PARKER of New Jersey. And they do not give equal service to all?

Mr. COLVER. No.

Mr. PARKER of New Jersey. Then they are responsible under the law for that, too.

Mr. HAMILTON. And they do discriminate, as I understand it, in favor of the five packers?

Mr. COLVER. They do; yes. And then comes the question "Are they responsible and to be blamed for this?" And my answer to that is not unqualifiedly "yes." It depends on how much blame attaches to yielding to an irresistible pressure.

Mr. HAMILTON. Can it be possible that that has been going on under Government control?

Mr. COLVER. I don't know. We finished this thing before that. Now, if we have time to show the inequity in service and to give you an example of how the inequity comes about we may see where the fault does lie.

DELAY IN MOVEMENT OF INDEPENDENT PACKER CARS.

The small, independent packers have practically no control over the movement of their owned or leased cars. In the first place they have difficulty in securing refrigerator cars of any description, and when they do secure them they are compelled to go to great expense to fit the car up for carrying the fresh meat. As I say, it costs $20 to fit a car up and they put $45 worth of hooks into a car, and then they may or may not get their hooks back. When a car is leased by an independent packing company—we must remember later to get back to that peddler car question which we left sometime back.

Mr. PARKER of New Jersey. Won't you go into that mileage question just at this point? Why is the mileage much less on one than the other?

Mr. COLVER. Yes; and then we must get back to the peddler car, because that is left in a decidedly unanswered state in this record.

Mr. PARKER of New Jersey. Answer the question why they get so much less mileage out of it, first.

Mr. COLVER. All right; we will take that first.

The prompt movement and return of the cars of the independent packer is not granted by the railroad, and this is shown by the statement of Jacob E. Decker & Co., of Mason City, Iowa.

Mr. SWEET. Yes; I understand about that.

Mr. COLVER. Their representative at a hearing before the Interstate Commerce Commission, in the matter of private cars, made this statement: They leased 20 cars for the shipment of carcass meat, fresh meat, in 1917. He takes six of his cars and gives this analysis of the operation of those cars. They, as I say, leased these cars following the advice, "Why don't you lease cars?" They leased these cars and they sent one out on June 27 and it was held 177 days. It was six months before it got back. During that time the rental was $116.46 and the car earned for them $16.56.

The CHAIRMAN. One hundred dollars or more per car?

Mr. COLVER. No; that is one particular car. This gentleman appeared before the Interstate Commerce Commission and related his experience of following this apparently very simple expedient of "Why don't you buy or lease cars?"

Mr. PARKER of New Jersey. Why was it held 177 days?

Mr. COLVER. Why was it?

Mr. PARKER of New Jersey. Yes. Did he give any explanation?

Mr. COLVER. I can not say what reason he gave.

Then he shipped another one of his cars on July 19, 1917. It was held 149 days. It cost him $98.04 to rent it during that period and it earned $39.17. That would appear to be a better trip, because apparently it was returned faster than the first car.

Then the car that started September 12 was held 68 days. His rent was $44.94 and it earned him $14.06.

The car that started September 16 was held 106 days, cost him $69.75, and earned him $37.55.

The one that started out September 19 was held 101 days, cost him in rental $66.45, and earned him $51.56.

The one that started September 21, 1917, was held 111 days, cost him in rental $73.04, and earned $36.04.

So that his experiment with those six cars necessitated an output of $468.68 rental and the cars earned $194.94.

Mr. HAMILTON. What is the basis of the rental, Mr. Colver?

Mr. COLVER. It is a monthly basis; so much a month.

Mr. HAMILTON. And does not he retain control of the car so that he can call it in at any time?

Mr. COLVER. He is supposed to.

Mr. DOREMUS. I understand, Mr. Colver, that all this you have related occurred under private ownership of railroads, does it not?

Mr. COLVER. Yes; this is 1917.

Mr. HAMILTON. But Mr. Colver states that he doesn't know whether that is going on now or not.

Mr. BARKLEY. All of which elucidates nothing.

Mr. HAMILTON. Well, we are not so sure about that.

Mr. COLVER. There then that packer was deprived not only of the use of these cars that he provided himself with, but of course he had to pay rental for the service. Now we find that by and large, and adding all the big five packers' cars together, that they are profitably operated. The same railroads haul them on the same terms and for the same price—that is, the same mileage price is paid by the railroad to the owner or lessee of the car, and the same freight is paid to the railroad, and yet one operation shows a profit and the other a loss. In this case I have just cited there was $468.68 going out and $194.94 coming in. That is not profitable.

Mr. STEPHENS. I presume that is due largely to the fact that the five packers have so many cars that they can be made up into special trains and run through as a special—or at least, do you suppose that that is a factor in it?

Mr. COLVER. Yes; or else it can be summed up in the phrase "a traffic club."

PACKER "TRAFFIC CLUB."

Mr. HAMILTON. Mr. Colver, do the railroads charge all individuals and corporations alike as to rental of cars? Is the rental charge the same to all?

Mr. COLVER. Do you mean do they pay back the same mileage?

Mr. HAMILTON. No; as I understand you they have to pay the railroad company so much rental.

Mr. COLVER. No; these cars that I speak of, of the independent packer, were rented by him from an independent private-car-line company, not from the railroad. They do not rent from the railroads; no.

Mr. HAMILTON. Now, as to the independent car lines, do the independent car lines discriminate? Is the rental the same?

Mr. COLVER. The rental rates vary with the type of car somewhat.

Mr. HAMILTON. Precisely, but there is no discrimination among corporations?

Mr. COLVER. The rates vary among the owning corporations; yes. To make it clear, they vary as to the number of cars leased and on the length of time of the lease. The scale of rental prices varies with those factors in consideration, the number of cars and the length of time of the lease.

Mr. HAMILTON. But the rental is a regular schedule?

Mr. COLVER. Yes; with the factors being equal, it is a regular schedule.

Mr. HAMILTON. And there is no distinction among those renting cars?

Mr. COLVER. That is impossible to be answered, I think.

Mr. HAMILTON. Well, do the five packers rent cars at all?

Mr. OLIVER. Yes; but not often.

Mr. HAMILTON. I do not understand yet why one firm should lose uniformly and another should gain uniformly.

Mr. COLVER. Because one firm's car goes through to its destination and comes back for another load promptly; the other concern's car goes out and gets lost and stays for six months.

Mr. Hamilton. Now you have told the story. I understand you now.

Mr. Colver. Now it is asked, "Is that the railroad's fault, or do they discriminate?"

As to the question, "Do they discriminate?" I say yes. As to the question of whose fault it is, I say, I can not say unqualifiedly "yes," but I think I can throw some light on that right now.

Mr. Hamilton. But you do believe that the railroad companies lose the cars of some corporations and do not lose the cars of others?

Mr. Colver. Yes.

Mr. Hamilton. And you think that the reason why they lose some people's cars and do not lose others is because they are making more money out of some corporations than others?

Mr. Colver. Well, they get more freight; yes. They are making more money in that way, making more receipts; yes.

Mr. Hamilton. Well, ought there not to be some way to reach them by law for doing things like that?

Mr. Colver. That is what we are telling you these things for. We think so.

Mr. Hamilton. Well, isn't there existing law that will reach it? Can't the Department of Justice take cognizance of a situation like that?

Mr. Colver. Yes, I suppose so.

Mr. Hamilton. Ought it not to do it?

Mr. Colver. Well, one of these companies is indicted on 50 counts now. I don't find any fault here—I don't know how to say this exactly—a company is indicted on 50 counts; a competitor, a competing packing company is suffering. Each little fact must be proven and made law proof, and then the case starts on its weary way to the Supreme Court. Maybe, some time, it will get there and you will get your decision, but in the meantime the independent packer's car is on the siding, and just how long can he stand it? That is the answer to the panacea "Buy your own cars," and "Lease your own cars," and "If the independent packer doesn't like to get along without cars, why don't he go and get some?"

Mr. Hamilton. But that means a failure of justice, Mr. Colver, and—this is very important—we have existing law to take care of it. Here is unjust discrimination; here are railroad corporations losing cars and indifferently failing to return them. There is a law to prevent that, and you say that a suit might be commenced or a criminal prosecution started, but that because of the slow machinery of justice the remedy is uncertain, and meanwhile the aggrieved shipper has given up the ghost. That is a sad commentary upon the law as it now exists.

Mr. Colver. I did not speak of the slowness of the processes of the court critically at all; I just spoke of them as orderly processes.

Mr. Hamilton. We have a right to criticize.

The Chairman. If no private companies owned private cars and the public had the same opportunity as these companies, then criminal prosecutions would not be necessary.

Mr. Colver. That is the whole theory of this legislation. Instead of indictments, instead of traversing the "sawdust trail" to the Supreme Court and back again; instead of all that delay that occurs in reference to these cars, if these facilities were open, and if these

highways of commerce were open to all on equal terms, fairly, the difficulty would be solved to a very great extent.

Mr. HAMILTON. That goes to the very heart of the whole question; and there are many questions which suggest themselves here at this point, but which it would not be proper to interrupt you concerning now, but later on possibly we may be able to get them straightened out.

Mr. COLVER. It is interesting, now that we have come to the fact that there is a significant difference between speed and the practical operation of these cars by the two different classes of people that are in the meat-packing business. The question is asked, "Whose fault is it? Is it not the railroad companies' fault and are they not to blame?" I can not answer you specifically and directly with reference to these cars, unfortunately, but we can find something that at least will shed light on it.

Mr. HAMILTON. You have pretty nearly made a demonstration of it.

CLOSING OF M. K. & T. R. R. CO. STOCK YARDS AT HODGE (FORT WORTH), TEX.

Mr. COLVER. Take this instance as illuminating: The M. K. & T. Railroad Co. owned some stockyards at Hodge, near Fort Worth. These yards were operated by the M. K. & T. Railway in competition with the Fort Worth yards, which are controlled jointly by Armour and Swift. We find the following letter, dated Chicago, Ill., December 27, 1916, written by Mr. A. R. Fay, of the Swift Refrigerator Transportation Co.—that is the company which owns these cars—to Louis F. Swift and E. F. Swift. The letter, in full, is as follows:

CHICAGO, *December 27th, 1916.*

Messrs. LOUIS F. SWIFT, EDW. F. SWIFT.

GENTLEMEN: Mr. J. L. Harris, general live stock agent of the Alton Railroad, reports that in conversation with Vice President Haile, of the Missouri, Kansas & Texas Railroad, in St. Louis last Wednesday, the 20th, Mr. Haile was asking him to try to secure the Fort Worth packing-house business for the M. K. & T. and Alton route, and Harris told Haile that it was no use in trying to get the packer's business at Fort Worth as long as the M. K. & T. maintained a stockyard at the very gates of Fort Worth yards. Then there resulted a discussion of the matter, Harris says, and Haile finally told him if the packers still wanted the Hodge yards that he would bring it about so that they could have them, either by purchase or rental. He asked Harris to find out if the Fort Worth interest still wanted these yards. That is, the railroad company or at least an agent or officer of the railroad company asked whether or not if they sold these competing yards controlled by Swift and Armour that would be all right.

I spoke to Mr. Dunham over the phone about it, and he said he would like to look the matter up, and suggested that I send word back to Mr. Haile that we would look the subject up and would take it up with him later.

This for your information.

A. R. FAY.

ARF:B Transp. Dept. Individual letters.

The Mr. Dunham referred to is the vice president of Armour & Co.

In other words, they offered to sell the yards or dispose of them to the yards controlled by Swift and Armour, but the offer apparently was not satisfactory, and instead of buying and taking them over the transaction took the turn of wiping them out and getting rid of them that way.

On December 30—three days after the first letter—1916, from Chicago, Mr. Fay addressed Mr. Dunham, the vice president of the Armour Co., as follows:

CHICAGO, *December 30, 1916.*

Mr. R. J. DUNHAM,
Continental Commercial Bank Building,
Chicago, Ill.

DEAR SIR: It looks as though we might prevail upon the M. K. & T. R. R. to close the Hodge yards if your traffic department and ours will unite in pressure on the M. K. & T. I believe this will be more desirable than for the Fort Worth stockyards to buy or lease them. Do you agree?

Please reply.

Yours, respectfully,

A. R. FAY.

ARF: B CC L. F. Swift.

There is Swift & Co. saying to Armour & Co. that a desired end will be brought about "if your traffic department and ours will unite in pressure"—that is what this letter said.

The CHAIRMAN. Pressure on the railroad?

Mr. COLVER. On the railroad.

Apparently there was some conversations or communications, because we find the following letter:

CHICAGO, *January 8th, 1917.*

Mr. F. W. ELLIS,
Union Stock Yards, Chicago, Ill.

DEAR SIR: Regarding the "Katy" Hodge yards at Fort Worth, I met Mr. Harris to-day. He goes to St. Louis to-night, and he is going to tell Mr. Haile that if he wants to stand in well with the packing houses at Fort Worth he will close their Hodge yards and allow the "Katy" live stock to go through the Fort Worth stockyards the same as all other Fort Worth lines do. Thus placing the M. K. & T. on a parity with other competing lines.

Yours, respectfully,

A. R. FAY.

ARF: B
Copy—LFS. EFS.

The Mr. Ellis addressed is with Armour & Co. Mr. Harris, the vice president——

Mr. HAMILTON (interposing). What does he mean by placing this company on a parity with competing lines?

Mr. COLVER. If you will pardon me, we will come to the "parity"—the parity was achieved all right.

Mr. HAMILTON. Very well.

Mr. COLVER. Mr. Harris, the vice president of the M. K. & T., having received this suggestion, apparently took the desired action, because we find Mr. Fay's letter to Mr. Ellis dated March 24, 1917, as follows:

MARCH 27, 1917.

Mr. F. W. Ellis,
Union Stock Yards, Chicago, Ill.—

This, again, is Swift & Co. writing to Armour—an official of Swift & Co. to an official of the Armour Co.

DEAR SIR: Regarding the Hodge stockyards:

I have the promise of the Katy people that these yards will be closed and dismantled inside of three or four months.

Yours, respectfully,

A. R. FAY.

ARF—LMC.
CC—Messrs. L. F. Swift, E. F. Swift.

The happy ending comes in a letter dated June 20, 1917, where Mr. Fay finally reports to Mr. Louis F. Swift, as follows:

JUNE 20, 1917.

MR. LOUIS F. SWIFT: Mr. Harris reports this morning that at an interview with Vice President Haile and Vice President Webb, both of the M. K. & T. Railroad, that Mr. Webb, the operating vice president, was given—

The letter says "given." Evidently it means "giving," and we have inserted the word in brackets here as probably the word intended.

was given [giving] instructions to abandon and demolish the Hodge stockyards at once.

This will do away with the competition we have had at the gate of the Fort Worth yards for all these years.

In consideration of this, Armour and ourselves have agreed to give the M. K. & T. our shipments on the fast train from the Fort Worth plant, Tuesdays and Thursdays of each week, as long as the rate and service via the M. K. & T. are equal to that of other lines.

I feel quite sure you will be pleased to know that this competition is going to be discontinued.

I am sending a copy of this letter to Messrs. Dunham, Donovan, and Googins.

A. R. FAY.

ARF—LMC.

The CHAIRMAN. That is, Swift and Armour owning the stockyards at Fort Worth.

Mr. COLVER. Controlling them.

The CHAIRMAN. I mean "controlling."

Mr. STEVENS. Who owned this stockyard that was wrecked?

Mr. COLVER. The Katy Railroad.

Mr. STEVENS. They owned that?

Mr. COLVER. Yes. It is a question now who is at fault.

Mr. HAMILTON. That restored the "parity" of competition?

Mr. COLVER. The parity got there, you see, when they "got" the Tuesday and Thursday business, the other roads having the rest of the week for their proportion.

Mr. HAMILTON. The obstruction would operate to impair the "parity" and the obstruction was removed.

Mr. COLVER. Then, you see, we left this thing in June, 1917, and in November, 1917, we checked up how it worked out; and a letter is sent by Mr. Fay to Mr. Edward F. Swift, as follows:

CHICAGO, *November 5, 1917.*

MR. EDWARD F. SWIFT: Events are proving that we were right in believing that the M. K. & T. deliveries of live stock at the Fort Worth yards would increase with the closing of the Hodge yards. I have asked Mr. Donovan to give me a monthly statement, comparing it with the year previous, in detail. It is as follows:

1917.

Week ending—	Cattle.	Calves.	Hogs.	Sheep.	H. & M.	Total.
Oct. 6th	117	11	20	9	46	203
Oct. 13th	118	9	17	1	15	160
Oct. 20th	115	13	20	2	46	196
Oct. 27th	123	17	5	6	55	206
Totals	473	50	62	18	162	765

1916.

Week ending—	Cattle.	Calves.	Hogs.	Sheep.	H. & M.	Total.
Oct. 7th	41	9	26	2	6	84
Oct. 14th	57	7	16	1	7	88
Oct. 21th	43	4	22	2	8	79
Oct. 28th	61	3	19	3	12	98
Totals	202	23	83	8	33	349

ARF VMF A. R. FAY.
cc L. F. SWIFT.

The above totals are a comparison of the month of October, 1916, with the month of October, 1917, and show that the cattle shipments went from 202 in 1916 to 473 cars in 1917, an increase of 125 per cent, or thereabouts; an increase from 23 cars of calves in 1916 to 50 cars of calves in 1917; 83 cars of hogs in 1916 to 62 cars of hogs in 1917; 8 cars of sheep to 18 cars of sheep in the same period; and 33 cars of horses and mules to 162 cars; and the total-movement increase by the Katy was from 349 to 765 cars, and the Katy got the packers' business two days a week.

Mr. HAMILTON. What is the basis of the influence which the packers exercised on the railroads as manifested in the evidence you have recited—is it the size of the business of the packers?

Mr. COLVER. The volume of business—tonnage.

Mr. HAMILTON. That is to say, they have grown strong and powerful financially, and one great financial power approaches another great financial power and says, "Come, let us reason together for our mutual benefit?" It is about that, is it not? They are adjusted it among themselves, and the lesser man takes his medicine?

SWIFT SALES OF BUMPING POSTS TO RAILROADS.

Mr. MURDOCK. If I may interrupt Mr. Hamilton, he and the committee here and I know that there are rebates and rebates. The law prohibits a rebate, but the law must detect and prove a rebate. One of the packing companies, in my recollection of the reading of this record, owns and controls a company which distributes to the railroads of the United States the bumping posts which the railroads use. The "bumping post," you gentlemen will recollect, is a large triangular steel frame which stands at the end of the tracks, and which has a shock recoil on it. All railroads use them at the end of their sidings. If the packing companies are in this business of selling bumper posts to railroads of the United States, does not the gentleman from Michigan [Mr. Hamilton] see that they can very readily so manipulate the sale of those bumping posts between the packers-manufacturer of the bumper and the railroads as to work a rebate that would not be detectable or punishable by law?

Mr. HAMILTON. I can see that possibility.

Mr. MURDOCK. Does the gentleman from Michigan think that such a thing could be detected or punished, although it might result in a very large rebate?

(Mr. Colver subsequently presented correspondence covering selling methods in the case of this bumping post, as follows:)

The Ellis bumping post is a product of the Mechanical Manufacturing Co., which is controlled by the Swift interests. The sale of this product for the fiscal

year ending March 31, 1918, was $249,715.60. Correspondence found in the files of Swift & Co. indicates that the packing company uses its traffic influence to push the sale of this product to the railroads. The following letter, apparently dictated by N. B. Higbie, of Swift & Co., and addressed to George L. Chatfield, of the same company, will serve to introduce the case.

April 14, 1915.

Mr. Geo. L. Chatfield. I noticed all along the Michigan Central road that they are using some kind of a steel bumper. Would like to know if they have discontinued using the Ellis entirely and using only the steel and *if there is not some way we can get them to buy the Ellis.*[1]

NBH–EM

CC–A. R. Fay.

Apparently after an investigation, Mr. Chatfield replied to Mr. Higbie's inquiry to the effect that he had been advised by a representative of the Michigan Central Railroad that no new bumping posts had been bought by his company for some time, but that he thought some would be needed soon. Mr. Chatfield says that he is taking the matter up with Mr. Fay, manager of the transportation department of Swift & Co., apparently for the purpose of seeing whether Mr. Fay might not be able in some way "to get them to buy the Ellis." Mr. Chatfield's memorandum is as follows:

May 4, 1915.

Mr. N. B. Higbie,
Fourth floor, office.

Dear Sir: Replying to your note of April 14, and referring to conversation with you regarding bumping posts on the Michigan Central Railroad, wish to advise that I have been checking up this matter and have not been able to get as much information as I would like, but it is evident from what I have that they have been buying a number of Gibraltar, Hercules, and Buda bumping posts. Also, understand they are fitted up at their Jackson shops for making repairs for our bumping posts, some of which have been in service a number of years. Have not been able to learn that they have made any complete posts. I am also advised by one of their representatives that they have not bought any new posts for a long time, but he thought they would need some within a few months. I am taking this matter up with Mr. A. R. Fay.

As to the bumping posts on the Illinois Central, their business runs about even, and I have been assured by their purchasing agent that we are getting all of their business and have not been buying any other posts.

Yours, respectfully,

Geo. L. Chatfield.

GLC*B

Mr. Fay was apparently able to induce the Michigan Central Railroad to buy the Ellis, for he reported to Mr. Chatfield about two months later, as follows:

File . . . . 568–ARF.

Chicago, *July 30th, 1915.*

Mr. G. L. Chatfield,
Fourth Floor.

The Michigan Central have promised that they will purchase Ellis bumping posts, and, that they will buy mere [more] posts in the next year on their line than they have in the last ten years.

A. R. Fay.

ARF: B.
R. R. DEPT.
Copy. H. A. C.

There is no direct statement in this correspondence to the effect that Swift & Co. stated to the Michigan Central Railroad Co. that it should buy the Ellis bumping post or suffer a loss of traffic. It is none the less evident, however, that the "traffic club" was brought into play and that Swift & Co.'s traffic, rather than the worth of the product, was the controlling factor in the Michigan Central's decision to use the Ellis bumping post.

The big packers attempt to extend their influence over the railroads to other companies which are closely affiliated with the carriers. An example of this is found in the effort made by Swift & Co. to secure the business of the Harvey Co., which operates a line of restaurants on the Santa Fe system. Swift & Co. attempted to get this business by appealing to the officials of the Santa Fe. It

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[1] Italics by the commission.

is evident from the correspondence taken from the files of Swift & Co. that it considered it was being discriminated against in the matter of the Harvey business. It seems that Morris & Co. was always given the contract. A. R. Fay, of Swift & Co., wrote to F. B. Houghton, freight traffic manager of the Santa Fe, and asked for his cooperation in securing for Swift & Co. its due share of the Harvey business. Mr. Fay's letter follows:

co—R. A. Stearns.
File 301-ARF.

May 21, 1914.

Personal.

Mr. F. B. Houghton,
F. T. M., A. T. & S. F. Ry. Co.,
Chicago, Ill.

Dear Sir: We are in the packing house business, as you have perhaps heard, and manufacture all kinds of meat supplies, among them Premium hams and bacon, than which there is no better. We are successful in selling many railroads more or less of their supplies of this class of goods, and we have quoted Mr. Harvey a great many times, but never got any business from him. If we treated the Santa Fe the same way Mr. Harvey treats us, on our shipments, the Santa Fe would not have any of our business.

Our people are restless over this situation. We would like to supply the first class roads of the country, because we make first class goods; and we don't like to be in the position of not supplying the Santa Fe a fair share of our goods. I think you can realize the feeling of our people, and they can't understand why I can not get you to have Mr. Harvey give us a fair show at the ham and bacon business.

It is up to you to help me out of the embarrassing situation in which I find myself. Please reply.

Yours, respectfully,

Swift & Company,
Per A. R. Fay.

ARF-B.

It is evident from this letter that Swift & Co. was securing very little of the Harvey business and that the company was somewhat concerned about it. The traffic manager of Swift & Co. says that he finds himself in an embarrassing position, and he appeals to the traffic manager of the Santa Fe to help him out of the situation.

The Santa Fe was, of course, eager to do anything it could for Swift & Co., for the latter was a large shipper over the Santa Fe lines. Mr. Houghton wrote to Mr. Fay and suggested that the latter call on H. L. Benjamin, of the Harvey Co., the next time he was in Kansas City. He thought that both gentlemen were good traders, and that they could probably get together. Mr. Fay acted upon the suggestion and, in the absence of H. L. Benjamin, he had a talk with David Benjamin. The latter was apparently a good trader for the Harvey Co. rather than for Swift & Co., or the Santa Fe Railway, for it appears in the correspondence that, when he was told by Mr. Fay that all the eastern and western roads used their purchasing power with shippers to secure traffic, he replied that "this would not cut any figure with him." Mr. Fay relates his interview with Mr. Benjamin in a letter written to Mr. Houghton, as follows:

File 301-ARF.

March 3, 1915.

Mr. F. B. Houghton,
F. T. M., A. T. & S. F. Ry. System, Chicago, Ills.

Dear Sir: Thank you very much for your letter of introduction to Mr. H. L. Benjamin of the Harvey Company. Mr. Stearns, the head of our hotel and dining car supply department, and I were in Kansas City on Monday; but Mr. H. L. Benjamin was under the weather and not available and we saw Mr. David Benjamin and presented your letter to him.

We regretted to find that there was very little prospect of our being able to do any business with the Harvey people. I explained to Mr. Benjamin that it was the practice of all roads, East and West, to use their purchasing power with shippers to secure traffic; all of which, of course, is a perfectly legitimate and legal basis, and that the Santa Fe was at a disadvantage in this respect unless his concern gave some consideration to the shippers via the Santa Fe System. He emphatically told me that this would not cut any figure with him.

The most I could get him to do was to write to his man in Chicago to give us some consideration—I don't know whether he did this or not. I told him that I though it was only fair that at equal prices we should have the business part of the time. He didn't agree or disagree to this statement, except to say that one of our competitors would have the preference at equal prices on the smoked meat and lard, because that competitor furnished the fresh meat under the contract.

The position that Mr. Benjamin takes I think is unfortunate both for the Santa Fe and for us.

Yours, respectfully,

SWIFT & COMPANY,
Per A. R. FAY.

ARF-B
CC—R. A. Stearns

It is apparent that Swift & Co. did not accomplish a great deal by its effort to secure the Harvey business through the Santa Fe. The letter just quoted was written in March, 1915. Swift & Co. did get the business for the following September, but only by bidding 1¼ cents under the prevailing market price on bacon and 1 cent on ham. It is apparent from the correspondence that the Harvey Co. is operated separately from the Santa Fe Railway, and that the officers of the Harvey Co. are not at all influenced by the volume of tonnage which a shipper may be able to offer to the Santa Fe. The correspondence is significant, however, in that it shows the willingness of the Santa Fe officials to cooperate with Swift & Co. in an effort to secure for them a portion of the Harvey business. It also shows that the shipper attempted to extend its influence over a railroad to a company, which though not actually affiliated with the carrier, was believed to be closely related to it.

The CHAIRMAN. If you will pardon me, gentlemen, it is now nearly 1 o'clock, and I suppose Mr. Colver is tired. On next Monday the committee will have to consider some bills before them for action; consequently it will not be necessary for Mr. Colver to come back Monday. But on Tuesday and Wednesday he can come. Then the rest of next week, not anticipating how long Mr. Colver's examination would continue, I have agreed with some gentlemen to be heard who are coming here to attend another meeting on the 6th and 7th, and I do not know just how long they will require. So if you, Mr. Colver, do not get through on the 7th and 8th, I will have to let you go over until after those gentlemen are examined.

Mr. COLVER. I will make every effort to get through.

The CHAIRMAN. Then the committee will adjourn, so far as this hearing is concerned, until Tuesday at 10.30 o'clock a. m.

(Thereupon, at 12 o'clock p. m., the committee adjourned to meet in further hearing on this subject Tuesday, January 7, 1919, at 10.30 o'clock a. m.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Tuesday, January 7, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman), presiding.

STATEMENT OF MR. WILLIAM B. COLVER, CHAIRMAN FEDERAL TRADE COMMISSION—Resumed.

The CHAIRMAN. Mr. Colver, you will proceed with your statement.

Mr. COLVER. Mr. Chairman and gentlemen, the committee asked me several days ago, and I am now ready to give, at least a partial list of the commodities which are being manufactured, or manufactured and sold, or sold by these packing companies, the list giving

perhaps the best general view we can bring to you of the scope of the operations of these five companies. The list as we give it is not necessarily a complete list. It is a very long list, and it has been taken from the price lists or catalogues of the various companies, Swift, Armour, Morris, Wilson, and Cudahy.

LIST OF COMMODITIES MANUFACTURED OR SOLD.

It will not be fair when we finish to count the items in the list as being the number of items handled, for the reason that having been taken from their catalogues, or other sources, the same item is duplicated. For instance, acid phosphate will be catalogued under "A," Acid phosphate, and then again under "P," Phosphate, acid, so that I want to be entirely fair and state in reference to the number of things shown on this list that there are duplications of that sort; but, of course, they are easily revealed when you compare the list. You can understand that for the purpose of indexing there is that duplication, so that you can not count the list and then say that there are that many commodities. However, it will show a very large number of commodities. I am now going to read this list to you.

The CHAIRMAN. This is a list of products manufactured by the five packers you refer to?

Mr. COLVER. Manufactured and sold, or sold. In the case of many products or some products which they do not manufacture they wholesale them; that is, buy them from the manufacturer or producer and resell them, so that some are manufactured and sold and some are purchased and sold.

The CHAIRMAN. Then they are jobbing merchants in so far as those articles are concerned?

Mr. COLVER. In respect to some of them they are jobbing merchants and in reference to others they are producers and direct distributors.

Mr. WINSLOW. Are the lists identical, or are they more or less different?

Mr. COLVER. No; the lists are not identical. They are substantially similar but not identical.

Mr. WINSLOW. Have you any statement showing how many each one carries?

Mr. COLVER. I have not that separated.

Mr. WINSLOW. Or how many are carried in common?

Mr. COLVER. No; but that could be done.

(Additional material on this point was furnished by Mr. Colver. See p. 145.)

Mr. SWEET. Does the statement show what percentage of the wholesale grocery business is done by the five packers as compared with the whole grocery business?

Mr. COLVER. No; this statement does not attempt to show that. As I said the other day, the questionnaire that was sent out to the wholesale grocers brought in a mass of opinion, expert opinion, from the wholesale grocery people, and the estimates they make vary all the way from 10 to 50 per cent. I think 50 per cent is very high, and, of course, that percentage varies to a great extent in different localities in the country. I presume it would be an absolutely impossible thing, or relatively impossible; of course, we could find out if you directed us to, and we took the time and labor to do it—that is, find out what

the gross business of the wholesale concerns are in the country, and the amount of these products which used to go through the wholesale grocers, and that would give us a proportion, and then, of course, there would come in the question of increase in business which would again not proportion out, because we would not know what part of that these wholesale grocers would have got. I think it would be a rather dangerous thing to try to get a figure like that.

Mr. SWEET. I was just wondering whether you had covered that field or not.

Mr. COLVER. The attempt was made, as I said the other day, in the way of a questionnaire to get the expert judgment of the trade itself, or the industry itself, and there each one spoke of his own locality, and it is difficult to know the volume of business relation between one witness and another witness, or one filler-out of a questionnaire and another; when we come to volume of business and localities, it is difficult to arrive at a single figure, which is what you just asked for; it would not be possible.

The CHAIRMAN. Well, proceed with your statement.

Mr. COLVER. This is a list of the products or commodities commonly dealt in or held out in price lists as being regularly dealt in by these concerns which we speak of as meat-packing concerns:

Acid phosphate.
Albumen.
Alfalfa meal.
Alundum cloth.
Ammonia.
Anhydrous ammonia.
Animal food.
Animal oils and stearines.
Apple butter.
Apple cider.
Apricots.
Aqua ammonia.
Artificial ice.
Ashton salt sax.
Asparagus.
Babbitt (used by railroads in axle boxes).
Backbone.
Bacon.
Baked beans.
Bar iron.
Barrels.
Barreled beef.
Barreled pork.
Bath powder.
Bath salts.
Beans.
Beans, no pork.
Bearings for railroad cars, etc.
Beef and vegetable rations.
Beef bungs.
Beef casings.
Beef cuts.
Beef extracts.
Beef, iron and wine.
Beef loaf.
Beef offal.
Beef sides.
Beefsteak and onions.
Beef sweetbread.
Beef suet.
Beef weasands.
Beets.
Belting.
Benzoinated lard.
Big Rapid beans.
Binding and twine.
Blackberries (cases).
Bladders.
Blood meal.
Blood pudding.
Blood sausage.
Boiled ham.
Boiled beef.
Boiled kidneys.
Boiled pork loins.
Boiled sausage.
Boiled shoulders.
Bologna sausage.
Bolted meal.
Bone meal.
Bone oil.
Bone products.
Boned chicken.
Boned turkey.
Boneless boiled hams.
Boneless pigs' feet.
Bouillon.
Bouillon cubes.
Blood.
Boxes.
Brains.
Brass castings for recoil mechanism in heavy ordnance.

Mr. ESCH. Most of those things have relation more or less to meat products, but there were some that went into iron and steel, for

instance, Babbitt metal and things of that kind. Do all the five packers engage in that line, or is there only one packer who has one plant?

Mr. COLVER. At least two are in this car-equipment stuff, Swift and Armour, and employees of some of the other companies are in car-equipment companies.

Mr. ESCH. That is due to the fact—I think Swift & Co. make their own cars?

Mr. COLVER. Yes.

Mr. ESCH. And therefore, of course, they would be in that line which would require the use of these metals. I understand they make an average, perhaps, of four cars a day.

Mr. COLVER. Yes.

Mr. ESCH. Which would make quite an industry in itself, but it would not be an industry, therefore, that would seek to encroach upon a general industry, but it would be one that was merely for its own special purpose of making its own equipment.

The CHAIRMAN. But would they put it on the general market when they were making it for their own use?

Mr. COLVER. But we were mentioning here things which were parts of cars and used in the operation of cars which they sell to other car owners and operators.

Mr. ESCH. Outside of equipment that would be specially adapted for beef and refrigerator cars?

Mr. COLVER. Yes.

Mr. WINSLOW. In competition with the regular car builders?

Mr. COLVER. Yes; in competition with railroad supply houses.

Mr. WINSLOW. On what basis do they probably make their sales?

Mr. COLVER. On what basis?

Mr. WINSLOW. I mean, if they are in competition, one would infer that they were able to sell them cheaper.

Mr. COLVER. Perhaps we can come to the basis on which some of these sales are made in a moment, if you care to go on with this.

The CHAIRMAN. What was the last item you referred to on that list?

Mr. COLVER. Brass castings for recoil mechanism in heavy ordnance.

The CHAIRMAN. Do any of these meat packers who are industrially engaged in the production of meat need any of this finding?

Mr. COLVER. Yes.

The CHAIRMAN. For heavy ordnance, heavy guns?

Mr. COLVER. Heavy ordnance; I do not know how heavy. It is the inclusive word "heavy" ordnance.

Mr. PARKER of New Jersey. Which one of the packers is that?

Mr. COLVER. That is the Chicago Bearing Metal Co., in which Edward Swift——

Mr. PARKER of New Jersey (interposing). That was since the war?

Mr. COLVER. Yes; the gun springs.

Mr. PARKER of New Jersey. Has not the Government asked that all factories that could make ordnance turn in and do that?

Mr. COLVER. Yes; and we are simply telling you what they do.

Mr. PARKER of New Jersey. I understand; but they did it to help the Government at their particlar request?

Mr. COLVER. I do not know that they were requested. I do not know about that.

Mr. HAMILTON. I suppose the Government bought the ordnance, did it not, Mr. Colver? It was made for the Government, was it not?

Mr. COLVER. This particular item; yes.

Mr. HAMILTON. I should imagine they would not go into the business of making cannon for private concerns.

Mr. COLVER. Oh, no; here was a concern owned by one of the packing interests which was——

Mr. HAMILTON (interposing). Which went into the making of ordnance?

Mr. COLVER. No; which was making the brasses for journal boxes, and being in the business of making brasses for journal boxes which they used on their own cars, of course, but which they also sold to other people who used journal boxes, and, therefore, were in the journal box business——

Mr. HAMILTON. Yes; I understand that, but I understood you to state they were making cannon, in response to a question put to you by Mr. Sims.

The CHAIRMAN. Oh, no; that they were making this mechanism for use in our guns.

Mr. COLVER. No; he said for use in our guns.

Mr. HAMILTON. It was something then in connection with the cannon?

Mr. COLVER. Yes.

Mr. HAMILTON. I think the chairman put the question very accurately, but the defect was in myself. I did not quite understand it.

The CHAIRMAN. I may have put it in such a way that I did not mean what I intended it to mean. I aimed to confine it to what they were making. Were they making these journal boxes for heavy guns, say, 16-inch guns?

Mr. COLVER. Well, Mr. Chairman, this is the fact, having a factory, having the equipment to make, among other things, journal boxes, that equipment could be used for making springs for heavy ordnance, and was so used. I hope it is quite clear that in reading this list the list is not read, Judge Parker, in a critical sense. We have told you they are in many fields, and now we are trying to tell you the fields. We are not criticizing it. We are just telling you.

The CHAIRMAN. And the making of them for heavy guns might be exceptional on account of the demand existing at the time they were made?

Mr. COLVER. Undoubtedly.

Mr. PARKER of New Jersey. Do you mean to say you do not criticize their going into other fields?

Mr. COLVER. No; I do not say that. I say this list——

Mr. PARKER of New Jersey (interposing). You said something of the sort. You said you did not criticize their going into these fields, anyhow.

Mr. COLVER. No; I said this list was not being read critically now.

The CHAIRMAN. You are reading what appears in their own catalogues, as I understand it. You may proceed, Mr. Colver.

Mr. COLVER. We are just trying to show you that when we are talking of five packers, we are talking of five big concerns which are much more than packers, which reach out into many other fields. We are showing you the fields. We will show you how they get into those fields, and whether or not it is good for those fields to have that sort of competition projected into them with the impulse that is behind this sort of competition in these few fields.

The CHAIRMAN. Well, proceed and read the list, Mr. Colver.

Mr. COLVER. And if in order to read the list completely I have to mention heavy ordnance, I only do it because it is on the list, not because I have any objection to the packer making a spring for a gun.

Mr. HAMILTON. Have you a duplicate of that list with you?

Mr. COLVER. No, sir; I am sorry I have not.

The CHAIRMAN. It will be printed in the hearings.

Mr. HAMILTON. I understand that, but I want to refer to it now.

Mr. COLVER. I will be glad to hand it to you in a moment.

Mr. WINSLOW. In making those springs, do they do that regularly?

Mr. COLVER. Oh, no, sir.

Mr. WINSLOW. Or only at the request of the Government in war times?

Mr. COLVER. It is not the spring, it is the brass casting for the spring.

Mr. WINSLOW. Is that something they do regularly?

Mr. COLVER. They make the brass castings for journal boxes regularly; yes; and use them themselves, and also sell them.

Mr. WINSLOW. Well, about these springs for ordnance, is that something they do regularly?

Mr. COLVER. No; it is the brass casting for the spring.

Mr. WINSLOW. Do they make them regularly, or do they just make some for the purposes of the war?

Mr. COLVER. They made these for the purposes of the war, but they make the brass castings——

Mr. WINSLOW (interposing). Then, why have they not done the country a good service in respect of that production?

Mr. COLVER. I suppose they have.

Mr. WINSLOW. It is lucky, then, they had the facilities for making such an article.

Mr. COLVER. Yes; lucky, except on the assumption that the brass-casting industry which makes brass castings for railroad journal boxes would have been able to supply the journal-box trade, and if they had, they would have been able to make these springs.

Mr. WINSLOW. Yes; if they had. I do not mean to criticize your lack of knowledge of the brass industry; but, as a matter of fact, that industry has been behind the demand in this country for at least four years, so it has been almost impossible for any outside concern to get the material from which to make brass work of any kind, and it would seem to me that we ought to be very happy to think that this concern was able to turn to and aid such an industry.

Mr. COOPER. Mr. Winslow, may I ask you a question?

Mr. WINSLOW. I would be delighted.

Mr. COOPER. Is it not a fact that there were hundreds of manufacturing industries appealed to in this country during the time of war

to manufacture and produce things under the necessity of the war which they had never made before?

Mr. WINSLOW. Absolutely; and it was a godsend whenever they found one who could so adapt itself.

The CHAIRMAN. Now, Mr. Colver, proceed with the list.

Mr. COLVER (reading):

Bratwurst sausage.
Brawn.
Brewers' flakes.
Brewers' grits.
Brewers' meal.
Brick.
Brisket beef.
Bristle.
Brown grease.
Buckwheat.
Bulk herring.
Builders' hardware.
Builders' materials.
Bulk mackerel.
Bumping posts for railroads.
Butter.
Butterine.

When we come back to this bumping posts for railroads, we will answer your question, Mr. Winslow, about how some of the sales are made.

Calf heads and feet.
Calf hides.
Calf livers.
Calf meal.
Calf sweetbreads.
Calfskins.
Calves' hearts.
Canned apricots.
Canned asparagus.
Canned bacon.
Canned corn.
Canned evaporated milk.
Canned fish.
Canned fruits.
Canned hominy.
Canned meats of various kinds.
Canned milk.
Canned mixed meats.
Canned mixed meats and vegetables.
Canned mutton.
Canned okra.
Canned oysters.
Canned peaches.
Canned peas.
Canned pineapples.
Canned preserves, jellies, and jams.
Canned pork.
Canned pork loaf.
Canned pork sausage.
Canned salmon.
Canned sardines.
Canned sauer kraut.
Canned shrimp.
Canned sweet potatoes.
Canned tomatoes.
Canned tuna fish.
Canned vegetables.
Cans and containers.
Car repair parts.
Casings (beef and hogs).
Casks.
Castings and appliances for use in manufacturing refrigerator cars.

Not only for their own use, Mr. Esch, but to sell.

Castings for railroad use.
Catgut ligatures.
Catsup.
Cattle-tail switches.
Cauls.
Celery bouillon.
Cement, lime, plaster.
Cereals.
Cheese.
Cherries (cases).
Cherry juice (cases).
Chick feed.
Chicken loaf.
Chicken tamales.
Chile con carne.
Chile sauce.
Chitterlings.
Choice dripping.
Chop feed.
Chorizas.
Chrystolon cloth.
Chymogen.
Chymol.
Cinnamon.
City sausage.
Cleanser.
Cleanser powder.
Cleansing compound.
Clipped white oats.
Cloves.
Coal.
Coca-Cola.
Cocoa.
Coconuts.
Coffee.
Coke.
Cold cream.
Cold-pack cherries.
Cold-pack peaches.
Cold-pack raspberries.
Colors.
Combs.

Commercial fertilizers of various brands.
Complexion powder.
Compound lard.
Concentrated tankage.
Condensed milk.
Condiments.
Consommé soup.
Cooked meats.
Cooked pressed beef.
Cooked sausages.
Cooking oil.
Cooperage.
Corn grits.
Corn meal.
Corn and oats, half and half.
Corned beef.
Corned-beef hash.
Corned-beef ster.
Corned pork.
Corned-pork ster.
Corpus luteum.
Cotosuet.
Cottonseed meal.
Cottonseed oil.
Cowhide.
Cream.
Crème de menthe.
Creamery feed.
Cremol.
Cracked corn.
Crude cotton oil.
Crude glycerin.
Crushed cherries.
Crushed currant.
Crushed figs.
Crushed gooseberry.
Crushed nut frappé.
Crushed orange.
Crushed peaches.
Crushed pineapple.
Crushed pineapple preserves.
Crushed strawberries.
Crushed white oats.
Cured beef.
Cured herring.
Cuban sausage.
Cured beef tongues.
Cured pork.
Curled hair.
Cut soles.
Cutlery, steel lengths.
Dairy feed.
Deviled meats.
Digested tankage.
Distilled fats.
Doors and windows.
Dressed beef.
Dressed beef cuts.
Dressed lamb.
Dressed pigs.
Dressed veal.
Dressed veal cuts.
Dried apples.
Dried beans.
Dried beef.
Dried blood.
Dried brewers' grains.
Dried fruits.
Dried peaches.
Dried peas.
Dried prunes.
Dried raisins.
Dried sausages.
Dry kelp.
Dry ribs.
Dry salt meats.
Dry salt pork.
Dry sausage.
Ducks.
Eggs.
Egg albumen.
Elixir enzymes.
Elixir of lactated tablets.
Emery cloth.
Emery paper.
Essence of pancreatin.
Essence of pepsin.
Evaporated fruits.
Evaporated milk.
Extract of red bone marrow.
Face creams.
Face powders.
Fancy meat.
Fatty acids and soap greace.
Feed barley.
Feed meal.
Feed wheat (fancy).
Fence posts and wire fences.
Fertilizers.
Findings.
Fish.
Flint paper.
Flour.
Fluid beef extract.
Foot powder.
Fountain cocoa.
Frankfurt style sausage.
Fresh and smoked sausage.
Fresh beef tongues.
Fresh fruits.
Fresh pigs' feet.
Fresh pork.
Fresh sausage.
Fresh tripe.
Fresh vegetables.
Frozen beef.
Frozen eggs.
Frozen lamb.
Frozen mutton.
Frozen pork.
Frozen veal.
Fruits.
Fuller's earth.
Gallstones.
Garlic.
Garnet paper.
Gelatine.
Georgia hash.
German salami.
Ginger.
Grain.
Granulated meal.
Grape juice.

Grease.
Grease stearine.
Grease wool.
Ginger ale.
Glue of many grades.
Gluten feed.
Glycerine.
Glycerole of pancreatin.
Glycerole of pepsin, 10 per cent.
Glycerole of rennet.
Goldbeaters skin.
Green pineapple sirup.
Grits.
Ground bones.
Ground white oats.
Gut strings.
Hair.
Ham.
Ham bags.
Ham loaf.
Hamburger steak.
Hardened oils.
Harness leather.
Heavy paper.
Hides.
Hog bristles.
Hog casings.
Hog hair.
Hog livers.
Hog offal.
Hog serum.
Hominy.
Hominy feed.
Hoofs.
Hoof products.
Horns.
Horn products.
Horse feed.
Horseradish.
Hot tamales.
Ice.
Imitation maraschino.
Imported cherries.
Insoluble powdered pepsin.
Intermediate scratching grains.
Irish stew.
Italian hams.
Jams.
Japanned leather.
Jellies.
Jowls.
Kafir-corn milo.
Kegs.
Kits.
Knife handles.
Kraut.
Labels.
Laboratory products.
Lactated pepsin tablets.
Lamb's tongue.
Lard.
Lard compounds and substitutes.
Lard oil.
Lath.
Laundry chips.
Laundry soaps.
Laying mash.
Leather.
Lecithal.
Lemon extract.
Liquid olive soap.
Liquid shampoo soap.
Liver and bacon.
Liver pudding.
Liver sausage.
Loins.
Lubricating oil.
Lumber.
Lunch tongue.
Lunch tongue, ster.
Luncheon beans.
Luncheon beef.
Luncheon meat.
Luncheon sausage.
Lungs.
Machinery.
Malt sprouts.
Manufacturing bones.
Marshmallow topping.
Meal.
Meat hooks.
Meat scraps.
Mechanical supplies.
Melts.
Mexican sausage.
Molasses.
Milk.
Mince meat.
Mixed meats.
Mock turtle soup.
Musical strings.
Mustard.
Mustard seed.
Mutton.
Mutton suet.
Nitrate of soda.
Nutrient, wine of beef peptone.
Neats-foot oil.
Neutral.
Neutral lard.
Offal.
Oil.
Old-process oil mill.
Oleo.
Oleo grease.
Oleo oil.
Oleo stearine.
Oleo tallow.
Oleomargarine.
Olives.
Orange extract.
Orange wood.
Ovol (purified mutton tallow).
Ox lips.
Ox marrow.
Ox-tail soup.
Ox tongues.
Oxygen gas.
Oyster cocktail sauce.
Packing-house machinery.
Pails.
Pancreatin.
Pancreatin and soda.
Pancreatin F. S. P.

Paper-box board.
Paper containers.
Peaches (cases).
Peanut butter.
Peanuts.
Peperoni.
Paper.
Pepsin.
Pepsin tablets.
Peptonum siccum.
Pharmaceutical products.
Phosphate rock.
Pickled ears.
Pickled hocks, etc.
Pickled meats.
Pickled pigs' feet.
Pickled sausage trimmings.
Pickled slats.
Pickled snouts.
Pickled tongue.
Pickled tripe.
Pickles.
Pigeon feed.
Pigskin.
Pig snouts.
Pig tails.
Pitting and fruit-handling machinery.
Polish kolbassy.
Pork and beans.
Pork and beans with tomato sauce.
Pork chittelings.
Potash.
Potted and deviled chicken.
Potted and deviled ham.
Potted beef.
Potted meats.
Potted tongue.
Potted turkey.
Poultry.
Poultry bone.
Poultry mast.
Powdered milk.
Preserves and condiments.
Prime steam lard.
Produce.
Provisions.
Pumpkin.
Putty containers.
Raspberry (black) and pulp (cases).
Raw milk.
Red Dog flour.
Refined cottonseed oil.
Refined glycerine.
Refined greases and oils.
Refined lard of various brands.
Refined oils.
Relishes.
Renin.
Rennet.
Rennet powder.
Renovated butter.
Rice.
Roast-beef hash.
Roast fowl.
Roast mutton.
Roaster fries.
Rolled oats.
Roofing.
Root beer.
Roots and herbs.
Saccharated pepsin.
Sachet lit pomande.
Salad oil.
Salmon.
Salt.
Salt mackerel.
Salt ribs.
Sand and gravel.
Sandpaper.
Sardines.
Sauce.
Sauerkraut and Virginia sausage.
Sausage in oil.
Sausage containers.
Sausage meat.
Sausage-meat ster.
Scrapple.
Scratching grains.
Sea foods.
Shaving powder.
Shaving soap.
Sheep.
Sheep casings.
Sheep pelts.
Sheep plucks.
Sheepskins.
Shingles.
Sinews.
Sliced bacon.
Sliced beef.
Sliced ham.
Smelling salts.
Smoked beef.
Smoked beef tongue.
Smoked hams.
Smoked pork products.
Smoked ribs.
Smoked sausage.
Snuff containers.
Soaps.
Soda ash.
Soda-fountain supplies.
Sole and upper leather.
Solid ox tails.
Soluble beef.
Soluble colors.
Souse.
Souse with tongue.
Soup and bouillon.
Spaghetti.
Spaghetti, meat, and chili.
Spanico chili.
Standard middlings.
Standard spring bran.
Steam-cooked feed.
Stearine.
Stewed kidneys.
Stock food.
Stopper coverings.
Structural steel.
Suet.
Sulphuric acid.

Sulze.
Summer sausage.
Suprarenalin.
Surgical ligature.
Sweet-pickled meat.
Sweet-pickled pork.
Sweet-pickled shoulders.
Sirups.
Tablets—tubes.
Talcum powder.
Tallow.
Tallow oil.
Tanks used in refineries.
Tanks used in refrigerator cars.
Tankage.
Tanned calfskin leather.
Tanned hogskin leather.
Tanned pigskin leather.
Tanned sheepskin leather.
Tanning extract.
Target of scratching grain.
Thyroid powder.
Tile.
Tins.
Toilet articles.
Toilet soaps.
Toilet waters.
Tomatoes.
Tomato ketchup.
Tomato products.
Tooth paste.
Tripe.
Tubs.
Turkeys.
Vanilla extract.
Veal and ham loaf.
Veal loaf.
Vegetables.
Vegetable shortening.
Vegetable soup.
Vegetable stearine.
Vegetole.
Vienna sausage.
Vin Viz.
Vigoral.
Vinegar pickled goods.
Violin strings.
Virginia sausage.
Walnuts.
Washing powder.
Washing soda.
Waste.
Wheat flour.
Whips (flavoring emulsions).
White or yellow grease.
White corn flour.
White cream meal.
White feed wheat (fancy).
White granulated meal.
White hominy (samp).
White natural oats.
White pearl meal.
White table grits.
Witch hazel and almond cream.
Wool.
Wool, pulled and scoured.
Yellow corn, kiln-dried.

Mr. Esch. You have read that list to show the extent of the industry?

Mr. Colver. Yes.

Mr. Esch. I think when you read "ice, combs, complexion powders, and commercial fertilizer" you indicate the spread sufficiently in three items.

Mr. Colver. Yes. However, some of those are by-products, but it does not appear so much that the by-product element is in such things as barrels and boxes and paper containers and bumping posts and castings for cars, and that sort of thing. They get further afield.

Mr. Esch. You were to speak about bumping posts, you said.

Mr. Doremus. Whose list was that which you just read?

Mr. Colver. It was a sort of consolidated list, Mr. Doremus. We have taken the five catalogues and other sources and consolidated them in order not to have to read five different catalogues and price lists.

Mr. Doremus. Are we to understand that some of these packers sell all of the articles that you have enumerated?

Mr. Colver. Yes; substantially all. One or two of those things you noticed were trade names, like "Virifizz"—that may be a trade name for one of the concerns. But at least the larger of the five deal in the entire list or most of the items.

Mr. Hamilton. Before you pass, if Mr. Esch has no objection, to the subject of these bumping posts, in order to get this business classified, can you tell—outside now of the packing industry proper—just the lines of industry in unrelated or related commodities that, for instance, Armour & Co. are engaged in?

Mr. COLVER. Swift is the largest in operation.

Mr. HAMILTON. Well, take Swift then, and state where, if you can, their principal factories are located, if they are engaged in the manufacture of these commodities. In other words, state so that we can get the thing classified and find out the scope of their business.

Mr. COLVER. In answering that question, Mr. Hamilton, it will have to be answered by me on my judgment as the thing appears to me, and I would be very glad to try to give you the picture in my mind of how this ramification occurred.

Mr. HAMILTON. I am trying to get first, if possible, the points of production for the purpose of avoiding confusion.

Mr. COLVER. Yes; I think I have the point that you want. You ask me to take one company?

Mr. HAMILTON. Yes; first.

STEPS OF PACKER DEVELOPMENT INTO UNRELATED INDUSTRIES.

Mr. COLVER. A company engaged in the business of packing meat buys live animals and converts them—the live animal is the unit, not the meat we eat—a concern engaged in the meat-packing business buys a live animal. In that live animal nature has assembled a whole lot of things, among other things meat. The packer takes this live animal and disassembles what we have commonly called the meat product, the purpose, the end; and we have said before that everything else is a by-product. That is not a very exact statement, because in the purchase of the live animal the value and the going value of many other of the things that are assembled in that live animal are taken into consideration in the market price. The hide is an important item in that thing—but not to be diverted there.

A packer of meat then takes the live animal and disassembles it into—accepting the common understanding of the term—the main product, and into a large variety of by-products. That is the packing business perhaps in its simplest form.

You asked me to show how the growth from there goes on, and I am going to try to show that to you.

Mr. HAMILTON. Pardon me just for a moment. We have, then, the packing industry doing business, as you might say, strictly within the lines of the commodity which it is handling, live animals and their products?

Mr. COLVER. Yes.

Mr. HAMILTON. Now, we will take a related or unrelated product, for illustration.

Mr. COLVER. You asked me how this operation, which I have stated in its simplest terms, begins to ramify and enlarge?

Mr. HAMILTON. Yes.

Mr. COLVER. It is in this way: First, as to the various by-products, perhaps when the business is in its simplest terms, as we have just spoken, it involves the sale of all the things except the meat—their sale or waste—and much is said about the recovery of the by-products, and all that sort of thing, all of which we take into consideration here.

Mr. HAMILTON. And you approve of that?

Mr. COLVER. Oh, yes; unqualifiedly.

Mr. HAMILTON. Now, take unrelated industries.

Mr. COLVER. First, now, we take the by-product from the animal itself, and we find that the first and principal one in value is the hide. Leaving the industry in its simplest terms, instead of selling the hide

as it is taken from the animal, there is created a hide department, and this hide freshly taken from the animal is transferred to the hide department, and integrated in it——

Mr. HAMILTON. Pardon me, Mr. Colver, right there: Would it not seem to you to be entirely a proper commercial practice for the packers, inasmuch as they are producing hides in the handling of the live animals to tan these hides and put them on the market rather than to let an intermediate party profit by the handling of the hides? I want to get at the objectionable features of this as we go along, if we can. How does that impress you?

The CHAIRMAN. He commenced with hides.

Mr. HAMILTON. He is right at that.

Mr. COLVER. No; I am quite a ways from the leather. Having transferred the hide to the tanning department, the hide freshly taken from the animal in the hide department this hide gets its first curing, its salting, so that it can be preserved for quite a long time; and then it is passed on to another process entirely separate, which will be the tanning industry, and then from the tanning industry it goes to the makers of shoes, harness, and manufactured leather articles.

Mr. HAMILTON. Where would you draw the lines, at the end of the tanning process?

Mr. COLVER. I would not draw any line.

Mr. HAMILTON. But, for the purpose of your bill, you are drawing the line somewhere—that is, you are drawing a line between the unrelated products and the main business of packing; you are saying, as I understand you, that the packers and the other industries, by inference, should be controlled in their handling of unrelated products and of certain related products.

Mr. COLVER. Yes.

Mr. HAMILTON. And now, for instance, we have advanced to the hide proposition. Just where can you draw a line?

Mr. COLVER. If you will pardon me, I do not think we have advanced quite far enough to begin to go back and say where the line shall be drawn.

Mr. HAMILTON. It seems to me, in order to avoid confusion, that we can take for illustration, as we go along, certain products, and it seems to me there is a very clear illustration as to just where you, in your reasoning on this subject, would draw the line between the original commodity—the live animal—and a product of the live animal, and say that the packer must not handle that commodity or that product.

Mr. COLVER. I think that as to the component parts of that live animal that they have bought and disassembled that there is no line to be drawn. I think it is quite all right to go on with the proviso that they draw the line for themselves in any of these secondary processes, where they bring in unfair competition against others in that secondary process; that is all.

Mr. HAMILTON. Then you would make the question of unfair competition the criterion, not the commodity handled?

Mr. COLVER. As to those direct and by-products, I should say yes, perhaps.

Mr. HAMILTON. So that you would not draw any line as to the direct by-products or secondary products, so far as the handling of

them is concerned by the packers, except as it involves unfair competition.

Mr. Colver. I think this would be very much more clear if we did not stop with the microscope—I am not criticizing; I am just giving my judgment, Mr. Hamilton—if we did not stop now to drive stakes and draw our lines until we had more of a view of the whole thing.

You asked me the lines or the theory of the progress that was made in the ramifications?

Mr. Hamilton. Yes.

Mr. Colver. So, let us get that in our minds, and then we will go back and see where we will draw the line.

Mr. Hamilton. Go ahead in the way that seems best to you. I am in good faith seeking information; I want to know just where you, in your consideration of this very important question, draw the line.

Mr. Colver. And I should not be here if I were not in good faith with you.

The Chairman. Let us proceed.

Mr. Hamilton. We are trying to proceed; we are trying to get at the premises.

Mr. Colver. We have got this animal and we have dissembled it, and now comes the working up of the by-products, and two courses are open with respect to by-products: One, an integrating or working up of the by-products, the fabrication of the by-products into the finished products by the packer, or to sell those by-products to a second person who shall fabricate them and sell them.

The working up of the by-products directly does not seem to be a place to draw any line or to object to; it seems to be a good thing, if it can be done without hurt and fairly to the industry of which it is a part, as distinguished from the meat-packing industry itself, and no objection is made to that.

Mr. Hamilton. We are making steps now.

Mr. Colver. I want to leave the by-products there just a moment, in order to show you two great lines of progression into unrelated things, and then we will come back to the by-products, because that is the best order, I am sure, to make it clear, if you will let me do that.

Mr. Hamilton. I think you have covered the by-products proposition entirely.

Mr. Colver. No; that is just a door that opens to a big field.

Mr. Hamilton. Now, take the unrelated proposition.

Mr. Colver. The unrelated things seem to come in in this order: First, if, as a meat packer, the meat packer as a meat packer, sells his products—the main product or by-product, but principally the by-product—to a second person who stands between him and the consumer, and if that product which he so sells for resale yields a second and substantial profit in the resale or remanufacture sale, the packer is tempted and does go into that business, that is to say, the tendency is to go into the business of his customers—to go into the business of his customers and become a competitor of his customers.

Mr. Hamilton. But you are not discussing the unrelated industry now?

Mr. Colver. No; not yet.

Mr. HAMILTON. I understood you were going to pass to that.

Mr. COLVER. I am going to get to that. Then, we find at the other end of his operation that those concerns from which he buys—and this is going to take in your unrelated things—if the thing that he is buying seems to yield a profit to the purveyor, he tends to go into the business of the industries of which he is a customer.

Mr. HAMILTON. You speak "of the things which he buys"?

Mr. COLVER. Yes.

Mr. HAMILTON. And did you make clear why he buys these things?

Mr. COLVER. I will.

Mr. HAMILTON. All right.

Mr. COLVER. And in this case he was forced into the ownership of the railroad cars because the railroads would not make them for him away back in 1880, when he got into the car-manufacturing business in that way, and it was all right, too. Having the cars, he buys the supplies which keep the cars up, the materials for the maintenance and upkeep of those cars. That brings you to the journal boxes and the babbitt metal.

Mr. HAMILTON. Right there, do you draw a line at that point—you would not draw a line there, would you?

Mr. COLVER. I am trying to get it all out before we draw these lines.

Mr. HAMILTON. I am afraid we shall not draw the line before we get too far along, and that it will lead to confusion.

Mr. COLVER. We have either got to take a chance of not getting our lines drawn——

Mr. HAMILTON (interposing). You stated you had no objection to the packers manufacturing the cars when they were compelled to do so?

Mr. COLVER. No.

Mr. HAMILTON. At what point in the evolution of the packers do you object to manufacturing cars?

Mr. COLVER. When they use the cars unfairly.

Mr. HAMILTON. There, again, comes the test—the unfair use?

Mr. COLVER. Yes.

Mr. HAMILTON. I am trying to get the standard by which you measured these transactions.

The CHAIRMAN. Are you not willing to let him go ahead and make a connected statement?

Mr. HAMILTON. Yes, sir. But I will say to you, Mr. Chairman, that I would stop asking these questions at once, only I am trying to get at the very logic of this very important thing.

The CHAIRMAN. Mr. Colver is trying to get at it in an orderly way.

Mr. HAMILTON. Yes, Mr. Chairman, but, for instance, we start out on the hide proposition. Mr. Colver tells us that somewhere near there he thinks a line ought to be drawn. In other words, on this side of the line [illustrating] the packers may continue to do business and on the other side of the line they may not continue to do business. Now, he says they have acquired cars, that they needed cars and that they had to make them. All right. He says he has no objection to their manufacturing cars because they could not get them otherwise. I want to get the line where he says they must stop manufacturing cars.

Mr. Doremus. Mr. Hamilton, he says he is not ready to draw his line yet.

Mr. Hamilton. Well, all right. I will stop right here and not ask any other questions and leave it to Mr. Colver to develop his idea.

Mr. Colver. All right. And, besides, Mr. Hamilton, it is for this committee to draw lines and not for our commission. We are telling you what we have found.

Mr. Hamilton. We are getting our information from you.

Mr. Colver. Yes. And I am eager to give it to you, too, of course.

Mr. Cooper. May I ask one question? Do you know what percentage of the articles you named here are by-products of the packers' industry?

Mr. Colver. By percentages, no.

Mr. Cooper. It seems to me that probably 85 or more per cent of the articles you named are by-products of this industry. What would you have the packers do with the by-products?

Mr. Colver. Just what they are doing now.

Mr. Cooper. You mentioned Coca-Cola?

Mr. Colver. Yes.

Mr. Cooper. Are you sure that the meat packers manufacture Coca-Cola?

Mr. Colver. I did not say so.

Mr. Cooper. What did you say, that they sold it?

Mr. Colver. I said they sold it.

Mr. Cooper. I was mistaken then.

Mr. Dewalt. Mr. Cooper, will you ask the gentleman another question? Has he ascertained by his tabulated statement the proportion of these articles that any one of these concerns manufacture?

Mr. Colver. Please add the word "sell." I do not want it to appear that we have said that they manufacture all these things. You mean, Have we determined the proportion of each of the articles to the total in the country that these people manufacture and sell?

Mr. Dewalt. Yes, because, after all, that is the gist of competition. If I make only one sewing machine, certainly I can not compete with the Singer Sewing Machine Manufacturing Co. The question arises in my mind as to whether or not these concerns which you mention manufacture or sell these different articles in any appreciable quantity in order to have competition. Have you ascertained that?

Mr. Colver. There are those things that are manufactured or sold in certain quantities that it amounts to a preeminent position in the market; other things where the proportion is very small. There could be no single answer to such a broad question as that.

Mr. Dewalt. You said, I suppose not only as an argumentative proposition but as a material fact in this case, that if they do neither sell nor manufacture to any appreciable quantity many of these articles that you have mentioned that there would be no unfair competition; that is what you said?

Mr. Colver. As to those articles?

Mr. Dewalt. As to those articles; yes, sir. Therefore, I think you would also concede, as a matter of argumentative reasoning, that if there was no such manufacture to an appreciable quantity,

or if there was no sale to an appreciable quantity, that there would be no unfair competition; that you would also concede, would you not?

Mr. COLVER. Oh, yes.

Mr. DEWALT. Therefore, I think you will again concede that it is necessary for this committee to know just what that state of facts is?

Mr. COLVER. Oh, yes. I have not objected to the answer, but we can not give the percentage until we do give the proportion the things go to.

Mr. DEWALT. Then, without that, the mere statement of these facts that you have given would amount to very little for the information of the committee.

Mr. COLVER. I should not think the committee would give it much weight.

The CHAIRMAN. I think we might as well have an understanding. This is a preliminary statement by Mr. Colver, and, of course, I assume the witness has a plan and sequence for presenting everything in relation to related and unrelated industries, and while I realize it is natural for us to ask questions when it points directly to the thing under discussion, yet we will not get through with Mr. Colver in 30 days if we undertake such an examination now.

Mr. HAMILTON. Mr. Chairman, let me say a word to you there in that connection. It seems to me that every member of this committee ought to know the process of reasoning by which Mr. Colver has reached his conclusions culminating in this bill.

The CHAIRMAN. We do not have anything to do with those conclusions. We are not here to determine whether Mr. Colver's conclusions are right or wrong. We are here to determine what legislation is necessary, based upon the development of the pertinent facts.

Mr. HAMILTON. He starts out with the proposition that the packers ought to be permitted to do a certain kind of business. I do not know but what he is right, and I want to know his reasons.

The CHAIRMAN. He is giving facts on which his reasoning is based.

Mr. HAMILTON. But with all due deference to our chairman, for whom I have high personal regard, I was asking the witness by way of illustration to take up certain lines of industries and state where he draws the line. He has taken up an unrelated industry and a related industry for illustration, and I have asked where he thinks the line ought to be. Out of that I have deduced his principles of reasoning, which is as far as I want him to go, and I have agreed to stop. But the point is, Mr. Chairman, that every man on this committee is anxious to get information.

The CHAIRMAN. I do not assume that any member of the committee is asking questions for the purpose of consuming time. But we want to get through with this preliminary statement of Mr. Colver so that we can examine him in detail. We were not supposing that his preliminary examination should go to such great length. There are other witnesses who are to appear here on the 9th, 10th, and on up to the 25th of January, and of course if Mr. Colver does not conclude his statement tomorrow he will have to step aside for these other men who are coming here from a long distance, all because we are losing so much time by arguing with the witness.

Mr. HAMILTON. Mr. Chairman, I do not believe a greater question has been presented to Congress for many years.

Mr. COLVER. Mr. Hamilton, if you will forgive me, the question which you asked me first is unanswered, and before it is answered your other questions do not seem to come in—I mean I can not answer them until I have answered your first one.

TENDENCIES OF PACKER EXPANSION TOWARD CONTROL OF SUBSTITUTES FOR PACKING HOUSE PRODUCTS.

The first question you asked me and which I will try to state as I remember it; my mind is trying to answer this thought: What have you found, generally speaking, as the line of progress or growth that the packing business makes into related and unrelated businesses? I am trying to show you that there are three or four—I think I can compress them into four classifications of lines of growth. Then when we have got that, do you not see we can examine each one of them and examine the wise and the right and the wrong of it? So, I say that the tendency, first, is to enter those industries, enter that line of business of customers; second, to enter those lines of business from which the packers themselves, as meat packers, are large purchasers; that is to say, after buying a common commodity in large quantity, and naturally knowing that each purchase involves a profit to the man who sells it, they tend to go into that business and go one step back, and those things are not related in the sense that they are at all by-products of these live animals; they are unrelated in that sense.

Third, the tendency is to go into businesses which compete with flesh foods, or even with the by-products of live animals—I will come back to that in just an instant—and, lastly, having developed as a by-product any article of commerce, to group around that other things which go to a similar market. That sounds rather cryptic, but I think I can explain the last two—the first two seem to be visualized, that they tend to go into the business of the people who are to sell it, that they tend to go into the business of the people they buy from; those are not difficult to see nor difficult for me to express.

Thirdly, I said we will see about the tendency to go into competing businesses. Having found that cottonseed oil, we will say, furnishes a substitute for the animal fats, the tendency is to go into the cottonseed-oil business. Having found that grains and breadstuffs are in competition with meat as a human food, the tendency is to go into that business.

Mr. HAMILTON. Pardon me for interposing?

Mr. COLVER. Yes.

Mr. HAMILTON. Do you say that cottonseed oil is so far unrelated that they ought not to be permitted to engage in its manufacture?

Mr. COLVER. Why—it is so far what?

Mr. HAMILTON. It is so far unrelated that they ought not to be permitted to engage in it?

Mr. COLVER. Why, Mr. Hamilton, without expressing a judgment on the thing, I would suggest this to your mind: If there are two things, one produced from a vegetable source and one a product of animals, and they furnish two independent and separate sources of supply for a needed human food or other necessary use, and in that sense they are competing with each other—that is to say, you and I

have our election as to whether we will eat butter or butter substitute, whether we will use lard or lard substitute—and you ask me whether or not I think that that election should be taken away as to which we will buy and who we will buy from from by having both products under one hand and whether I do not see it is better to keep them separate?

Mr. HAMILTON. I was only asking for information, to get at your philosophy. I understand you now.

Mr. COLVER. For instance, let us take the case of lard and lard substitutes. I think that you will agree that if lard substitute is in the hands and is offered for sale and manufactured by an interest that has no interest in lard, that the tendency of lard substitutes will be to crowd lard as to price, to crowd lard as to excellence, and offer to the public two instead of one commodity in competition as to price and quality, and that if they are united in one ownership that we will lose the benefit of the election that we have.

So, then, we say that the tendency is to go into substitutes for the main or by-product of this live animal; and I say that for a man to not only seek to dominate the industry he is in and that of his competitors, but to dominate or be very largely interested in another industry which itself competes with the one he just now has controlled is concentration twice concentrated; that is all.

And, lastly, the fourth thing I said was that the tendency is to group around a single thing those things which go naturally with it. Let us take an instance of that and we will see the development of it: The drug store goes into the soda-fountain business. As long as I can remember there has been a little soda fountain, which did not amount to much. But now the soda fountain comes to be a very important part of the drug store—comes to be almost a restaurant. About the time that the soda-fountain business started to make its way—with the movies—into public appreciation, one of the by-products that was being recovered was beef extract—bouillon. So, besides selling the beef extract for domestic consumption and consumption in hotels and similarly, you can remember when the signs first came up at the soda fountains, "Beef extract," and there was the little hot-water heater and you could go in and get a bouillon cube or the liquid beef extract, and by adding to it a little hot water and celery salt you would have a new, good drink—fine! The progression from that little start has been—and if this seems a small thing, I give it not because of its magnitude but because it is so easy to appreciate in this instance, and it is a typical thing, although relatively small, and yet the business of purveying to the soda fountains of this country is no longer a small business. Having gotten the introduction through the beef extract to the soda fountain, I said that the tendency was to group around that one thing other similar things, other things that go to the same trade. Assuming that the salesman is going into the soda fountain to sell a bottle of beef extract or a box of bouillon cubes, the tendency is to give him enough additional things to make that business a more profitable business.

Mr. HAMILTON. Do you think he ought to be permitted to sell beef cubes?

Mr. COLVER. I am not talking about right or wrong; I am trying to chart how to do it.

Mr. HAMILTON. That is a different proposition.

Mr. COLVER. And very soon we find connected with the selling of this beef extract the "whips," as they are called. The whips are the flavoring extracts which are used at the soda fountains—the vanilla, the chocolate, the pineapple, and all of the rest of the fruit sirups. So they have now tied to that a line of fruit sirups. Next comes the nuts, the sirups which they make the sundaes of—the butter-scotch sundae, the caramel sundae, the different kinds of cherries, the nut frappé, the walnut sundae, and, finally, comes what could be called, and, I think, what is called "the soda-fountain department." And having started with simply the beef extract, they go out finally with a line of stuff that furnishes the big soda fountain with all the various things that are served there—a complete line.

Mr. HAMILTON. They do not manufacture soda fountains, do they?

Mr. COLVER. I have wondered. It is an interesting thought.

Mr. HAMILTON. They might do that with the same propriety, might they not?

Mr. COLVER. With the same propriety? We have not yet decided the question of propriety at all, you see. But they might, similarly; yes.

Mr. HAMILTON. I was not laying stress on "propriety." I am again seeking the line of demarcation.

Mr. PARKER of New Jersey. I understand the witness to be trying to give the facts and not give the line of demarcation.

Mr. COLVER. We will come to these grouping in a larger way.

Having gone into meats and substitutes, naturally fish, which is a flesh food and a direct competitor of meat foods, that brings you to the canning business, other than the canning of meats. Having gotten into the canning business, the next step is the canning of vegetables; and having gotten into the canning of vegetables, the next thing is the ownership and operation of a pineapple plantation in Hawaii. We do not say where the line is to be drawn, but we do say that when you start with a business of killing live animals in Chicago and wind up with a pineapple plantation in Hawaii you are getting some ways away from home, and all the way along is accumulated power of vast organization and vast wealth against which we have no complaint at all, but which whenever projected into one of these new fields does tend to strike terror into the hearts of the people in that field, and does tend to domination in that field. That is the situation I am calling your attention to.

Mr. HAMILTON. Then, again, there—according to the principle of your bill, you draw the line between canned meat products and canned fish, canned fruit, and canned vegetables, do you not?

Mr. COLVER. I think there is a line there.

Mr. HAMILTON. Yes.

Mr. COLVER. I think that it would be healthier—I can not say "Don't you?" But I feel like saying it—I think it would be healthier if canned fish were in competition as to quality and price against flesh foods from these live animals, canned or otherwise. I think that would be better for the public.

Mr. HAMILTON. You see, Mr. Chairman——

The CHAIRMAN. You are going into conclusions.

Mr. HAMILTON. Oh, no. But when he states a fact, don't you see how it shortens this examination, when he has given us a very apt

illustration, to ask Mr. Colver to stop right there and ask where he thinks that line ought to be drawn?

The CHAIRMAN. This committee determines the question of policy.

Mr. HAMILTON. We can get information from the witness.

The CHAIRMAN. You are asking for his conclusions, as though the whole bill depended on what the commission thought.

Mr. DEWALT. What is the commission for except to advise us?

The CHAIRMAN. Of course, it is very interesting and illuminating, but sometimes we take up a whole session of Congress and yet get nowhere if we pursue every line of thought simply because it is interesting.

Mr. HAMILTON. I think we are getting somewhere pretty rapidly.

Mr. COOPER. May I ask the witness how many brands of canned fish the packers have on the market to-day?

Mr. COLVER. How many brands?

Mr. COOPER. Yes; purely as a matter of information. I have never known of any canned fish except salmon and sardines. What other brands of canned fish do they put on the market?

Mr. COLVER. Of course, there is the tuna fish that comes from the Pacific Ocean, and there are some four or five principal kinds of salmon.

Mr. COOPER. Have the packers gone into this business to the extent of controlling the salmon industries on the Columbia River?

Mr. COLVER. Substantially so.

Mr. DEWALT. Are you going to be able to demonstrate that?

Mr. COLVER. I think so.

The CHAIRMAN. Gentlemen of the committee, there is an important yea-and-nay vote coming up in the House, and we should be present to vote. It is now 12 o'clock, and we are compelled to suspend the present session of the committee. I do not know what will come up after this vote; I do not know whether the committee will be willing to come back at 2 o'clock or not.

Mr. PARKER. To-day is unanimous-consent day, and it is the day also on which they will probably bring up the $100,000,000 appropriation for helping Europe.

The CHAIRMAN. Then it does not seem possible to get back at 2 o'clock, and the committee will therefore stand adjourned until 10 o'clock to-morrow morning, when we will resume the hearing of Mr. Colver's statement.

(Additional data referred to on p. 126 was submitted by Mr. Colver as follows:)

LIST OF PRODUCTS MANUFACTURED AND LIST OF PRODUCTS HANDLED THROUGH BRANCH HOUSES BY THE FIVE LARGE PACKING COMPANIES.

The list which has already been submitted covers products manufactured or handled.

List 1 here following covers products reported to the commission by Swift & Co., Armour & Co., Morris & Co., Wilson & Co., (Inc.), and the Cudahy Packing Co., as manufactured by them.

List 2 here following covers products reported by them as handled through their branch houses. These two lists are not necessarily

complete as regards products of, or commodities handled by, subsidiary companies of the five principal packers whose operations may not be carried on the parent companies' books, nor do they include the products of affiliated companies controlled by the same individuals as control the packing companies.

Consequently, lists 1 and 2 do not include all of the commodities in the list already presented to the committee. This is because in the previous list there were included some commodities not reported by the companies in lists 1 or 2. These added commodities are such as we found to be produced or handled by some of the subsidiary companies, and also commodities advertised by the parent companies. As to these additional advertised products the commission was not informed whether they were manufactured or simply distributed by these companies. It was for this reason that the list as previously presented did not distinguish between products manufactured and products merely distributed.

Lists 1 and 2 are as follows:

LIST 1. PRODUCTS MANUFACTURED.

Albumen.
Anhydrous ammonia.
Aqua ammonia.
Artificial ice.
Asparagus.
Bacon.
Baked beans.
Barreled beef.
Beans, no pork.
Beef cuts.
Beef, dressed.
Beef extract.
Beef loaf.
Beef sides.
Beef suet.
Beefsteak and onions.
Beef and vegetable rations.
Beets.
Belting.
Boiled ham.
Boiled kidneys.
Bologna sausage.
Bone oil.
Boned chicken.
Boned turkey.
Boxes.
Brains.
Bratwurst sausage.
Brawn.
Brisket beef.
Bristle.
Butter.
Butterine.
Cans and containers.
Canned mixed meats.
Canned mixed meats and vegetables.
Canned mutton.
Canned pork.
Canned pork loaf.
Canned pork sausage.
Canning.
Calf skins.
Cases blackberries.
Cases black raspberry and pulp.
Cases cherry juice.
Cases cherries.
Cases peaches.
Casings (beef and hog).
Cheese.
Chicken loaf.
Chicken tamales.
Chile Con Carne.
Choice dripping.
Chorizas.
Cleanser powder.
Coal mine activity.
Cold pack cherries.
Cold pack peaches.
Cold pack raspberries.
Commercial fertilizer.
Condensed milk.
Consomme soup.
Cooked meats.
Cottonseed oil.
Corned beef.
Corned beef hash.
Corned beef, ster.
Corned pork.
Corned pork, ster.
Crude cotton oil.
Crushed cherries.
Crushed peaches.
Crushed pineapple preserves.
Crushed strawberries.
Cuban sausage.
Curled hair.
Deviled meats.
Dried beef.
Dry kelp.
Dry salt meats.
Emery paper.
Findings.
Frankfurt style sausage
Frozen eggs.
Fruits.
Georgia hash.
Glue.
Glycerin.
Grape jice.
Grease.

Hair.
Ham.
Ham bags.
Hamburger steak.
Ham loaf.
Hardened oils.
Harness leather.
Heavy paper.
Hog serum.
Hot tamales.
Imitation maraschino.
Imported cherries.
Irish stew.
Jellies.
Kegs.
Kits.
Kraut.
Lamb, dressed.
Lambs' tongue.
Lard.
Lard compounds and substitutes.
Lard oil.
Leather.
Liver and bacon.
Liver sausage.
Luncheon beans.
Luncheon sausage.
Lunch tongue.
Lunch tongue, ster.
Milk.
Mince meat.
Mixed meats.
Mock turtle soup.
Musical strings.
Mutton, dressed.
Mutton suet.
Oxford sausage.
Ox marrow.
Ox tail soup.
Ox tongues.
Oxygen gas.
Peanut butter.
Pepsin.
Pharmaceutical products.
Phosphate rock.
Pickled meats.
Pickles.
Pigs' feet.
Pork and beans.
Pork, dressed.
Pork sausage meat.
Potted and deviled chicken.
Potted and deviled ham.
Potted meats.
Potted tongue.
Poultry.
Preserves and condiments.
Refined cottonseed oil.
Refined oils.
Renovated butter.
Roast beef hash.
Roaster fries.
Roast fowl.
Roast mutton.
Salmon.
Salt mine.
Sand and emery paper.
Sauerkraut and Virginia sausage.
Sausage meat.
Sausage meat, ster.
Sheep pelts.
Sliced bacon.
Sliced beef.
Sliced ham.
Smoked pork products.
Soaps.
Solid ox tails.
Soup and bouilli.
Spaghetti, meat, and chili.
Spanico chili.
Stewed kidneys.
Stock food.
Summer sausage, sausage in oil, etc.
Surgical ligature.
Sweet pickled meat.
Tallow.
Tanned hog skins.
Tanned pig skins.
Tanned sheep skins.
Tomatoes.
Tomato ketchup, chili sauce.
Tripe.
Tubs.
Veal, dressed.
Veal and ham loaf.
Veal loaf.
Vegetable soup.
Vegetable stearine.
Vienna sausage.
Virginia sausage.
Wool, pulled and scoured.

LIST 2. PRODUCTS HANDLED THROUGH BRANCH HOUSES.

Animal oils and stearines.
Ammonia.
Ashton salt sax.
Bacon.
Barreled beef.
Barreled pork.
Beef casings.
Beef extract.
Beef offal.
Big Rapid beans.
Blood sausage.
Boiled hams.
Boiled sausage.
Bouillon.
Bulk herring.
Bulk mackeral.
Butter.
Butterine.
Canned apricots.
Canned asparagus.
Canned corn.
Canned fish.
Canned fruits.
Canned hominy.
Canned meats.
Canned milk.
Canned okra.
Canned oysters.
Canned peaches.
Canned peas.

Canned salmon.
Canned sardines.
Canned shrimp.
Canned sweet potatoes.
Canned sauerkraut.
Canned tomatoes.
Canned and dry fruits.
Canned vegetables.
Catsup.
Cheese.
Chili sauce.
City sausage.
Cleanser.
Coco-Cola.
Coffee.
Colors.
Cooking oil.
Condensed, evaporated, and powdered milk.
Condiments.
Corn grits.
Corn meal.
Cream.
Cremol.
Cotton investment.
Cured herring.
Curled hair.
Dressed beef and beef cuts.
Dressed veal and veal cuts.
Dried apples.
Dried beans.
Dried beef.
Dried fruits.
Dried peaches.
Dried peas.
Dried raisins.
Dried prunes.
Dry salt pork.
Dry sausage.
Eggs.
Evaporated fruits.
Evaporated milk.
Fancy meat.
Fatty acids and soap grease.
Feed meal.
Fertilizers.
Flood sausage.
Flour.
Fresh fruits.
Fruit.
Fresh pork.
Fresh vegetables.
Fresh and smoked sausage.
Glue.
Glycerine.
Grain.
Grease.
Grape juice.
Grits.
Gut strings.
Halstead fresh sausage.
Hams.
Hog casings.
Hog offal.
Hominy.
Horse radish.
Jams and preserves.
Jellies.
Laboratory products.
Lard compounds.
Lard substitutes.
Laundry.
Lard.
Leather.
Meal.
Meat.
Milk.
Mincemeat.
Miscellaneous.
Merchandise sales.
Molasses.
Mutton.
Neutral.
Offal.
Oleo.
Oleo oil.
Oleomargarine.
Oil.
Peanut butter.
Pepsin.
Pickled ears.
Pickled hocks, etc.
Pickled snouts.
Pickled tongue.
Pigs' feet.
Pork and beans.
Pork chitterlings.
Poultry.
Produce.
Provisions.
Pickles and condiments.
Rendering accounts.
Renovated butter.
Rice.
Salad oil.
Salmon.
Salt mackerel.
Sauerkraut.
Sausage.
Sandpaper.
Sheep casings.
Sheep.
Soap.
Soda-fountain supplies.
Stearine.
Suet.
Sundry outside purchases.
Sweet pickled pork.
Tankage.
Tallow.
Toilet soap.
Tripe.
Vegetables.
Vinegar pickled goods.
Washing soda.
Wheat flour.
Wool.

(Thereupon, at 11.55 o'clock a. m., the committee adjourned to meet to-morrow, January 8, 1919, at 10.30 o'clock a. m.)

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
HOUSE OF REPRESENTATIVES,
Wednesday, January 8, 1919.

The committee met at 10.30 o'clock a. m., Hon. Thetus W. Sims (chairman) presiding.

STATEMENT OF MR. WILLIAM B. COLVER, CHAIRMAN FEDERAL TRADE COMMISSION—Resumed.

The CHAIRMAN. The committee will come to order. Mr. Colver, you may proceed with your statement.

Mr. COLVER. Mr. Chairman and gentlemen, the legislation that is before the committee contemplates as a very important part of it regulation and control, by licensing or otherwise, of the stockyards of the country.

As bearing, then, on that phase of the legislation which is before you we have prepared a brief but rather comprehensive summary of the stockyard situation and how the conditions that now exist in the stockyards react on the various interests which come in contact with those yards.

LIST OF STOCKYARDS CONTROLLED.

The commission has said and says and believes that the ownership and control of a very great proportion of the stockyards, marketing places of the country, by the five packers, sometimes individually—that is, sometimes a single one of the five, sometimes two, sometimes another two, sometimes three, sometimes four—that the control of the yards is a very important factor in the domination of this group of five packers in the packing industry; and also as the interrelations, community of interest, and common ownership of the five packers are shown in the stockyards and in the subsidiary companies and corporations that are grouped around the stockyards, there will be found a relationship so close, so constant, that I think it will be difficult for it to come to be believed that these interests are, in fact, the active, aggressive competitors, one with the other, that is claimed for them by themselves.

The stockyards that are now completely or partially controlled by the five big packers are as follows—it is a list which I will put in the record. These 34 companies, or these 34 yards——

The CHAIRMAN (interposing). You say these 34 yards, but you have not mentioned anything before about them.

Mr. COLVER. For the purpose of having it in the record I have a list here, and I will read this list of names, and I was going to put it in the record just as it is.

The CHAIRMAN. As I understand it, at these 34 places which you name there are stockyards owned either by one or two or more of the five large packers.

Mr. COLVER. Yes; and controlled.

The CHAIRMAN. I mean owned or controlled.

Mr. COLVER. When we say "owned" we mean owned to such an extent that it involves control, or control other than by ownership, perhaps.

[illegible]	Total voting stock.	Per cent of Big Five control.
[illegible]	$1,300,000	26
[illegible]	10,000	95
[illegible]	8,000,000	[1] 19
[illegible]	1,192,400	8
[illegible]	601,000	98
[illegible]	500,000	68
[illegible]	1,500,000	100
[illegible]	16,000	[2] 100
[illegible]	100,000	79
[illegible]	2,750,000	69
[illegible]	10,000	([3])
[illegible]	25,000	99
[illegible]	500,000	[4] 91
[illegible]	2,500,000	50.33
[illegible]	200,000	90
[illegible]	200,000	100
[illegible]	40,000	100
[illegible]	50,000	99
[illegible]	500,000	93
[illegible]	1,000,000	85
[illegible]	1,200,000	[4] 97
[illegible]	150,000	92
[illegible]	2,500,000	83
[illegible]	4,300,000	[4] 85
[illegible]	2,500,000	64
[illegible]	2,848,300	75
[illegible]	231,000	91
[illegible]	194,600	29
[illegible]	800,000	5
[illegible]	300,000	90
[illegible]	7,496,300	[4] 31
[illegible]	300,000	[4] 46
[illegible]	1,400,000	[5] 45
[illegible]	45,214,600	52.7

[illegible] interest in the Chicago Stock Yards [illegible] and probably Morris were parties [illegible] interests, but it has not yet been [illegible] because of the system by which the [illegible] of "bearer warrants" for the [illegible]

[illegible] Stock Yards.

[illegible] is supplemented by a table [illegible] individuals of these five [illegible] first one on the list, the Bour- [illegible], the total voting stock is [illegible]; Swift, $166,500, 13 per [illegible]

[illegible] it is analyzed in that way. [illegible] without interrupting your chain [illegible] you have mentioned, do they [illegible], these packers do not allow [illegible] named here on that list?

[illegible] that a little.

[illegible] of order, or shall I first—

[illegible] take it up in order.

[illegible] analyzed, which is a develop- [illegible]

[illegible] explanation of the first list?

Mr. COLVER. It is an explanation of the first list.

The CHAIRMAN. Then it can go in the record and be published.

Mr. COLVER. Brings us down to the final figure in the analysis that $45,214,600, representing the voting stock of this list of companies, is owned, all these yards taken together, to the extent of 52.7 per cent ownership by these five packers, and each yard is analyzed with respect to the ownership and quantity and percentage of each of these companies.

[illegible]													
West Philadelphia Stock Yards	300,000	......	......	......	......	137,600	40	......	......	......	......	137,600	40
Wichita Union Stock Yards	1,400,000	......	......	......	......	......	......	627,200	[6]45	......	......	627,200	[6]45
	45,214,600	8,762,383	19.4	7,861,146	17.4	5,591,712	12.4	868,207	1.9	724,855	1.6	23,818,303	52.7

[1] The commission has definitely located Armour's interest in the Chicago Stock Yards Co. as 19.4 per cent. There is also evidence that Swift and Morris probably were parties to the negotiations by which Armour acquired his interests, but it has not yet been possible to prove Swift and Morris stock ownership, because of the system by which the stockholders' names are concealed through the issuance of "bearer warrants" for the stock.

[2] Armour-Flippen interests.

[3] 96 per cent owned by St. Louis National Stock Yards.

[4] Including Allerton family interests.

[5] Includes voting trust.

[6] 60 per cent, including proxies.

PROPORTION OF STOCKYARDS BUSINESS CONTROLLED.

The annual business of these stockyards comprised in this list and in other yards in which the control is a less complete control, but is a control, comprises 83 per cent of the entire stockyards business of the country.

The CHAIRMAN. Do you mean the 34 stockyards you have mentioned control 83 per cent of the entire business of the country? You are not quite clear on that statement.

Mr. COLVER. Yes. This is the same list, and this table analyzes that with respect to cattle, calves, sheep, swine, horses, and mules, arriving at the figure of 83.5 per cent of all live stock traded in in all markets of the country.

Stockyards.—Proportion of receipts of live stock at yards controlled by the Great Five packers (including Chicago), and proportion of receipts at all yards in which the five great packers have any interest, to the totals at all yards in the United States, 1916 calendar year.

Animal.	Receipts at all yards (head).	Receipts at yards controlled by five great packers (including Chicago).		Receipts at all yards in which five great packers have any interest.	
		Head.	Per cent.	Head.	Per cent.
Cattle	15,027,483	12,487,526	83.1	13,012,161	86.6
Calves	2,743,435	2,160,584	78.8	2,303,292	86.1
Sheep	20,616,010	16,107,847	78.1	17,638,972	85.6
Swine	43,304,956	32,200,876	74.4	35,138,697	81.1
Horses and mules	1,366,901	1,156,697	84.6	1,187,959	86.9
Total, all animals	83,058,785	64,113,530	77.2	69,341,081	83.5

REASONS ADVANCED BY PACKERS FOR THEIR CONTROL OF YARDS.

It is insisted, and in defining its position in controlling the stockyards Swift & Co. especially have repeatedly, during the past year, made public the claim that in order to provide adequate facilities it became necessary for the packer to own and operate these stockyards; but in reply to questions submitted by the Federal Trade Commission July 23, 1917, Swift & Co. said:

As a matter of fact, the principal reason why packers have become interested in yards at all has been to develop them to the highest point of efficiency. When a live-stock market is young and undeveloped the opportunity to make profits is hardly sufficient to induce private capital to enter the business; it has, therefore, devolved on the packing companies to develop the yards in some cases, so as to establish a market which will attract shipments and to provide facilities for the proper handling of animals. And this the packers have done.

Since the primary desire of the packers in connection with stockyards is efficient service, Swift & Co. would be perfectly willing to relinquish such financial interests as it has in stockyards, provided it can be assured that the present high standard of efficiency in operation be continued.

Now, this is what that reply says, as I read it: That the stockyards business is one that does not attract private capital or independent capital in the early days; that is, in the early days of the development of the yards, and therefore these big packing companies have gone into the business and developed the yards.

Now, the record shows and the history shows that the reverse is true; that private capital has gone in and has established the yards, and has brought them to a point of great progress, and then the big packers have taken them.

The packers in their statement printed in the Congressional Record, October 3, 1918, and introduced as having been "prepared by the representatives of the meat-packing industry," made the following defense of their control of stockyards:

The producers of the live stock were unable and did not provide such facilities for caring for their product from the time of the arrival at the market until sold, and the railroad companies did not provide such facilities, so that it devolved upon the packers, at enormous cost, to establish and maintain the stockyards.

The packers did not acquire the stockyards and establish new ones at new centers in order to secure any peculiar or mysterious advantage over the industry, but it had to be done in order to secure proper facilities for accommodating the business and furnish fair treatment to the shippers.

The principal reason that the packers have become interested in the yards has been to provide such facilities and extend them as the business expanded. It is doubtful whether such efficient market places would ever have existed had they not been established in this manner.

Now, there is a statement that has been made as coming from all five of these companies and seems to be their statement of this case. That is proper, then, to be examined, I think.

FACTS AS TO STOCKYARDS' BONUSES TO PACKERS.

Of the 34 stockyards, the tables of which we have just presented, in which one or more of the five packers are financially interested, and in 16 of which they are jointly interested, probably not more than four or five were actually established by them. The four largest stockyards are those at Chicago, Kansas City, Omaha, and St. Louis, and not one of these was established by these packers or either of them.

The big packers first began a financial and managerial interest in stockyard companies about 30 years ago. Union stockyards at that time had been successfully established and successfully operated for a number of years, and apparently had kept pace with the development of the live stock and meat-packing industry.

The early stockyard companies in the course of their expansion began making the big packers inducements to establish packing plants nearby. These inducements took the form of gifts or bonuses, and soon encouraged the packers to see that they could use their going potency in the slaughtering business to demand or secure control of the yard business. By the exercise of this advantage, this prestige, as the principal supporters of stockyard markets, the packers rapidly secured from the original organizers and owners of the stockyard companies the control of the principal yards.

In some cases the original owners yielded control unwillingly, as will be indicated by the means used to acquire the control, in some cases. Control of several of the yards passed to the packers, not because returns on the investments were unsatisfactory to the original owners nor because the independent investors had not properly equipped and maintained the markets. The packers took over the yards because they were profitable and helpful to them in the control of the places where the live stock is bought and sold.

These five packers claim publicly that it devolved upon the packers at an enormous cost to establish and maintain the stockyards. That is in the statement which I have just read. The fact is that the yard companies have been and are extremely profitable to the packers.

The following are some of the direct gifts made to the large packers. The commission feels that it has not been able to locate all the gifts and bonuses that have been given to the packers by stockyard

companies, because, in the case of several of the companies, the records are destroyed or so concealed that the commission has not been able to get at them. Gifts are commonly made in the form of real estate or land, cash, and capital stock. Here are some of them:

The Chicago Stock Yards Co. to Armour, Morris, and Swift, $3,000,000.

Kansas City Stock Yards Co. to Morris, plant real estate, $575,000; and to Armour, $500,000.

Mr. DOREMUS. I did not quite catch the connection there. What do those statements you are reading now represent?

Mr. COLVER. This represents gifts or bonuses that have been given from time to time by the stockyard companies to the packers in return for the packers establishing plants near those yards.

The CHAIRMAN. Do you mean plants or stockyards?

Mr. COLVER. The stockyard company makes the gift to the packing company in order to secure the location by the packer of a new packing house near the yards.

The CHAIRMAN. Do you mean stockyards in which these five great packers, or some of them, have an interest?

Mr. COLVER. No. The sequence of this thing was that the stockyards company started out giving gifts to the packing company to come——

The CHAIRMAN (interposing). Before the packing companies became owners?

Mr. COLVER. Yes; and then the packing companies, having got the gifts, got the yards.

The CHAIRMAN. Afterwards?

Mr. SANDERS. The yard was established first?

Mr. COLVER. Yes.

Mr. SANDERS. And they induced the packer to build the plant by making these gifts?

Mr. COLVER. Yes; and then they took the yards.

The CHAIRMAN. If I understand you, the owners of the yards make a contribution to the packers to get the packers to establish a meat-packing plant there?

Mr. COLVER. Quite right.

The CHAIRMAN. Then, afterwards, the packing plants became the owners of the yards?

Mr. COLVER. Yes.

The CHAIRMAN. Did they do it upon the suggestion of the previous owners of the yards or did they do it by aggressive means, or how?

Mr. COLVER. We will come to that in a moment. Here is a list now of a dozen of these matters which can go into the record, and I will not take time to read them, because the ones I have already read are typical:

Union Stock Yards Co. of Omaha:	
To Swift	$200,000
To Armour, 20 acres land and	857,800
To Cudahy, plant real estate and	75,000
St. Joseph Stock Yards Co.:	
To Morris, plant real estate and	760,000
To Swift & Co., plant real estate and	480,000
National Stock Yards, St. Louis:	
To Armour, 20 acres and	888,000
To Swift & Co., plant real estate and	100,000

St. Paul Stock Yards:	
To Swift	$1,000,000
To Armour	500,000
Fort Worth Stock Yards:	
To Swift, plant real estate and	960,000
To Armour, 21 acres land and	960,000
Salt Lake City Stock Yards Co.:	
To Cudahy	275,000
Sioux City Stock Yards Co.:	
To Armour, 12½ acres land and	400,000
To Cudahy	200,000
Oklahoma Stock Yards Co.:	
To Morris, plant real estate and	242,500

HOW PACKERS SECURED CONTROL OF THE YARDS.

The following are among the chief methods by which the big packers secured control of the stockyards:

Cash subscriptions to stock,

Stock bonuses,

Arbitrary appreciation of capitalization, and

Reorganization of corporations.

The big packers have received numerous large bonuses from stockyard companies. Most of these have gone to the packers in the form of cash donations amounting to many millions of dollars. In addition to cash and stock bonuses the stockyard companies have also given the big packers large and valuable tracts of land for packinghouse sites and for other purposes.

A part of the stockyard bonuses have been paid the packers in the form of stockyard company stock.

Here again the incomplete records of stockyard companies prevented the commission from ascertaining the full extent to which stock in the various stockyard companies was donated to the packers. At Omaha, St. Paul, and Fort Worth, for instance, where records were complete, we find bonuses in the form of stock amounting to $3,857,800. In other words 30 per cent of the stock now held by the big packers in these three was given to them and represents no cash investment on their part. In addition, these companies made other gifts to the big packers, such as land. Armour and Swift in 1902 were each given $300,000 Fort Worth Stock Yards Co. bonds.

One of the most common means to increase the big packers' yards holdings seems to have been to effect an increase in the capitalization of the stockyard companies simultaneously with writing up of the property valuations of the yards.

The earning power of the stockyards company, it was contended, depends on the importance of the market as a slaughtering center and a bonus given by the yard company was to secure a new packing plant or to cement the patronage of one or more of the big packers.

Examples of how this was done may be seen at St. Paul and Omaha. In 1897 the Union Stock Yards Co., of Omaha, voted to donate Armour & Co., or the Armour interests, 7,500 shares ($750,000) of stock. As on former occasions of this nature, the company capitalized the donation by increasing its capital stock by $1,000,000 and put this amount against the reappraised value of the real estate.

In 1898 the St. Paul Stock Yards Co. gave Swift & Co. $1,000,000 of its capital stock and at the same time authorized an increase of its capitalization by this amount.

There have been several cases where stockyard companies have been reorganized as a means of transferring partial or complete control of the voting stock to the big packers. The most conspicuous examples of this are the organization of the Chicago Stock Yards Co. in 1911, and the reorganization of the Kansas City Stock Yards Co. in 1912.

The amount of the reorganization of the Kansas City Stock Yards Co., here inserted in the record, is as follows:

REORGANIZATION OF THE KANSAS CITY STOCKYARDS CO.

The Kansas City stock yards have been operated by various companies. The first started in 1871 with a capitalization of $100,000. As its earnings increased the value of its real estate was written up and the capital stock of the company increased. Up to October 31, 1887, the capitalization had increased to $2,500,000. On that date it was raised to $5,000,000 and on December 31, 1887, the company had $4,040,000 capital stock outstanding. Of this increased amount $505,000 represented new subscriptions and $1,515,000 was added by way of stock dividend. Another stock dividend of $404,000 was paid out in 1890. In 1892 a bonus of 5,0000 shares of common stock was given to Armour, and the real estate of the company appreciated with an equal amount. Due to additional capital increases and various reorganization schemes the capital stock of the present Kansas City Stock Yards Co. was raised to $11,500,000, consisting of $9,000,000 preferred and $2,500,000 common, of which there is outstanding all the authorized common stock and $7,991,500 preferred.

In 1907 a report was submitted to the Legislature of Kansas by a committee of its members selected to investigate the Kansas City Stock Yards Co. Due to the fact that the commission was unable after considerable effort to locate the records of the Kansas City Stock Yards Co. of Missouri, we submit the following extract from the report of the legislative committee. The Stock Yards Co. had been involved in Federal court litigation which terminated in 1900. A part of the findings of the committee was based on these court records. The extract follows:

"The records show that during 26 years of consecutive business the company paid on the capital actually invested in the business an average of 32½ per cent annually in cash dividends to stockholders and 34½ per cent in stock and real estate dividends to stockholders, or a total of 67 per cent in dividends was paid each year for 26 years. At various times during the 26 years the company was recapitalized, and in each instance two shares of new stock were given for one of the old. This record also shows that hardly two and one-half million dollars has been paid by the stockholders in cash to the treasurer of the company; that the balance of the outstanding stock (or $[illegible]) is the capitalization of earnings, or the amount that the real estate is presumed to have increased in value during this time.

"The testimony shows that since the last reorganization the company has issued $1,500,000 in bonds, and during this time its capitalization has been raised one and one-half millions, or to $[illegible], and that the bonds are being retired and stock substituted in their stead.

"The testimony relates that various packing companies have been induced to locate in the vicinity of the stockyards by the stockyards company, and that practically in each instance the stockyards company has given them large cash bonuses, the sum of which is about $2,400,000. The records and evidence, however, and which has been admitted to be genuine, [illegible] have been given principally in stock in cash paid out of the earnings of the company before the dividends were declared."

The exate extent to which the various Kansas City stockyards companies gave the packers bonuses and other concessions is not known to the commission, owing to its inability to locate the company's records. It is known, however, that a stock bonus of $500,000 was given Armour & Co. in 1892 and a $775,000 [illegible] to Morris & Co. in 1904. According to the above quotation from the report of the

legislation committee bonuses paid the various packers amounted in 1909 to "about $2,400,000."

The Morris control.—The commission did, however, secure enough data from various sources to establish the full packer control in the present Kansas City Stock Yards Co. of Maine and also the method by which the Morris interests got control in 1912.

The scheme that was devised to secure control of these yards may be summarized in the following statement:

Stockholders of the Kansas City Stock Yards Co. of Missouri were given the opportunity to exchange each share of stock in that company for one share of preferred (nonvoting) stock in the new company of Maine and $10 in cash. In addition to it they were given the right to subscribe to one share of common (voting) stock of the new company of Maine at $50 per share, the par value being $100 a share, for each seven shares in the old company. The common stock of the old company amounted to only 82,500 shares, and, at seven for one, obviously not more than 11,785 shares of voting stock in the new company could go to the old stockholders. Since there were 25,000 voting shares of stock in the new company, the above scheme made it impossible for the stockholders of the old company to become the cntrolling factor in the new. The control had necessarily to rest with the party that bought up the balance left over of the 25,000 shares authorized.

That Edward Morris intended to secure this control for Morris & Co. or to Morris interests is clearly shown in the following letter written by himself to the Kidder, Peabody Co., of Boston. This letter also indicates that Edward Morris instigated the scheme of reorganization. The reorganization was accomplished practically as outlined in this letter:

OCTOBER 24, 1912.

Messrs. KIDDER, PEABODY & Co.,
115 Devonshire Street, Boston, Mass.

DEAR SIRS: I am proposing to organize a corporation under the laws of the State of Maine under the name of "Kansas City Stock Yards Co. of Maine," for the purpose of acquiring all or a substantial majority of the stock of the Kansas City Stock Yards Co. of Missouri.

The new corporation will have an authorized capital stock of $11,500,000, of which $9,000,000 par value will be preferred stock and $2,500,000 par value will be common stock; both the common and preferred shares to be of the par value of $100 each.

The preferred stock will be entitled to 5 per cent cumulative dividends, payable quarterly, the first dividend ot be payable February 1, 1913. The preferred stock will also be preferred to the extent of par and accrued dividends in case of liquidation, but will have no voting power, except in case of failure to pay two consecutive dividends on the preferred stock, in which event it shall thereafter have full voting powers until all accrued and unpaid dividends have been paid in full. No mortgage or other encumbrances shall be placed upon the property of the new corporation without the consent of at least two-thirds in interest of the preferred stockholders.

I propose to offer to the stockholders of the Kansas City Stock Yards Co. of Missouri the opportunity to exchange each share of stock which they own in the Missouri corporation for one share of the preferred stock of the new Maine corporation, and I propose to pay to each stockholder of the Missouri corporation who elects to make such exchange the sum of $10 in cash for each share so exchanged. This offer is to be conditional upon not less than 75 per cent in interest of the stockholders of the Missouri corporation exchanging their stock in accordance with this offer, provided, however, I may at my option make the exchange if a less number of stockholders elect to exchange their stock.

The amount of preferred stock of the Maine corporation to be issued in the first instance will be limited to the amount of stock of the Missouri corporation which is exchanged in accordance with the above offer.

Of the $2,500,000 of common stock to be issued by the Maine corporation, I propose to take and pay for $1,250,000 par value at $50 per share in cash, and will cause the remaining $1,250,000 par value to be offered for subscription at $50 per share to such of the stockholders of the Missouri corporation as elect to exchange their stock for preferred stock of the Maine corporation on the basis of one share of the Maine corporation for every seven shares of the Missouri corporation. Where the number of shares owned by any one

individual is not divisible by seven, if the excess number of shares owned by him is four or more he shall have the right to subscribe for one additional share of stock. If the excess number of shares is less than four he shall have no right to subscribe in respect of the excess number of shares. I propose that the taking of this remaining $1,250,000 par value of common stock at $50 per share shall be underwritten, for which I propose to pay an underwriting commission of $62,500.

I desire to secure your services in procuring the consent of the stockholders of the Kansas City Stock Yards Co. of Missouri to the exchange of stock herein proposed, and if you will undertake the matter, I will pay to you the sum of $25,000 in case not less than 75 per cent in interest of the stockholders elect to make the exchange, or if I elect to make the exchange with a less percentage of the stockholders consenting thereto, and I will pay you in addition the sum of 75 cents per share for every share of the stock of the Missouri corporation which is exchanged in addition to the 75 per cent hereinbefore mentioned.

The proceeds of the common stock of the Maine corporation will be used by me for the following purposes:

To pay the sum of $10 to each of the stockholders of the Missouri corporation who elects to make the exchange; to the payment of the underwriting commission of $65,500; to the payment of your compensation, and the payment of all legal and other expenses incurred in connection with the carrying out of this proposition, and the balance remaining will be paid into the treasury of the Maine corporation, so that the entire amount of common stock of the Maine corporation and the entire amount of preferred stock to be issued in the first instance will be issued as fully paid in exchange for the stock of the Missouri corporation which is exchanged in accordance with this offer, and in addition the net amount of cash remaining from the proceeds of the common stock which is to be paid into the corporation as hereinbefore stated.

The opportunity to exchange the stock hereinbefore provided for will remain open until December 2, 1912, unless the time for such exchange is extended by me.

If you undertake to arrange for the exchange of the stock on my behalf, I agree from time to time to provide you with such preferred stock of the new Maine corporation, such amount of cash and such amount of common stock of the new Maine corporation as may be required to be issued and paid to the stockholders of the Kansas City Stock Yards Co. of Missouri.

If the foregoing plan should not be carried out because a sufficient number of stockholders of the Kansas City Stock Yards Co. of Missouri fail to consent thereto I will reimburse you for all legal expenses which you may have incurred in the premises.

Yours, very truly, EDWARD MORRIS.

The following is the Kidder, Peabody & Co. reply and agreement to act on the medium of stock exchange:

OCTOBER 30, 1912.

EDWARD MORRIS, Esq.,
Chicago, Ill.

DEAR SIR: We acknowledge the receipt of your favor of October 24, relative to our acting in connection with the proposed exchange of stock of the Kansas City Stock Yards Co. of Missouri for stock of the Kansas City Stock Yards Co. of Maine and will act for you in the matter upon the terms stated in your letter.

We understand that since your letter of October 24 was written, the following modifications have been agreed to by you:

First. Stockholders in Kansas City Stock Yards Co. of Missouri shall have the right to subscribe for fractions of a new share of common stock and the right to subscribe to fractions of the new shares shall be assigned.

Second. As we are to act as depositary, we are to be paid the usual fees of a depositary in addition to the other compensation provided for in your letter of October 24.

Third. If not less than 75 per cent in interest of the stockholders of the Kansas City Stock Yards Co. of Missouri have deposited their stock with us on or before December 2, 1912, you will at our request, extend the time for making exchanges of stock for a period of not exceeding six months.

Very truly, yours,

October 31, 1912, the Kidder, Peabody & Co. issued to the stockholders of the Kansas City Stock Yards Co. of Missouri the following circular:

To the stockholders of the Kansas City Stock Yards Co. of Missouri:

The directors of your company have unanimously approved the following plan for the exchange of stock in your company for the stock of a proposed new company to be known as the "Kansas City Stock Yards Co. of Maine," having a capitalization of $11,500,000, divided as follows:

Common stock (par value of $100 each), $2,500,000.

Preferred stock (par value of $100 each), $9,000,000. Entitled to 5 per cent cumulative dividends quarterly, the first dividend to be payable February 1, 1913. The preferred stock will also be preferred to the extent of par and accrued dividends in case of liquidation, and will have no voting power except in case of failure to pay two consecutive dividends on the preferred stock, in which event it will thereafter have full voting powers until all accrued and unpaid dividends have been paid in full. Provision will be made to the effect that no mortgage or other encumbrance shall be placed on the property of the Maine corporation except with the consent of at least two-thirds in interest of the preferred stockholders.

Stockholders of the Kansas City Stock Yards Co. of Missouri may exchange each share of stock in the Missouri corporation for one (1) share of the preferred stock of the new Maine corporation and $10 in cash, and such of the stockholders of the Missouri corporation as elect to assist this offer may subscribe to one share of the new common stock of the Maine corporation at $50 per share for each seven (7) shares in the Missouri corporation owned by them and deposited.

Rights to subscribe for new common stock will not be assignable, except that rights to subscribe to fractions of one new share may be purchased or sold so as to enable the holder to subscribe for one full share.

The amount of preferred stock of the Maine corporation to be issued in the first instance will be limited to the amount of stock of the Missouri corporation which is exchanged in accordance with the above offer.

We mention that the entire issue of common stock has been subscribed for and underwritten, payable in cash at $50 per share, which insures the successful placing of the common shares in case the present shareholders do not avail of the offer.

The cash proceeds of the common stock will be applied in the first instance to the payment of the $10 per share to be paid to the stockholders of the Missouri corporation, to the payment of an underwriting commission of 5 per cent on the $1,250,000 of common stock which is offered for subscription as above stated, and to the payment of the other expenses of carrying out the proposed plan, including the compensation of the bankers, and the balance will be paid into the treasury of the Maine corporation.

The entire amount of preferred and common stock of the new Maine corporation to be issued in the first instance will be issud as fully paid for the stock of the Missouri corporation which is exchanged and the cash to be paid into the Maine corporation, as above stated.

The directors of the Kansas City Stock Yards Co. of Missouri and the largest stockholders of that company have already agreed to deposit their holdings in exchange for the preferred stock of the new Maine corporation and to subscribe for the full quota of common shares to which they are entitled.

We inclose herewith form of consent to exchange of stock and subscription to common stock of the Maine corporation. Stockholders who desire to avail themselves of the opportunity to exchange their stock should sign the inclosed assent and forward it to the undersigned, together with their certificates of stock of the Missouri corporation indorsed in blank. They will receive in exchange therefor our negotiable receipt. Such of the stockholders as elect to exchange their stock and desire to subscribe for the new common stock should also fill out the subscription agreement.

Unless at least 75 per cent in interest of the stockholders of the Missouri company have deposited their stock for exchange with us on or before December 2, 1912, we may, at our option, be relieved from all liability hereunder by returning to the depositing stockholders the stock deposited by them.

In case the plan is declared operative, we shall, upon receipt of the stock of the Maine corporation, be prepared to retire our receipts, issuing therefor such an amount of preferred shares and such an amount of common shares in the

Maine corporation, plus balance due in cash, to respective depositing shareholders, as receipts call for.

No charge will be made to depositors.

KIDDER, PEABODY & Co.,
115 Devonshire Street, Boston, Mass.

BOSTON, *October 31, 1912.*

Accompanying and printed as a part of the above circular was the following statement:

We, the undersigned, directors of The Kansas City Stock Yards Co. of Missouri, having carefully considered the offer of Kidder, Peabody & Co., set out in their circular under date of October 31, 1912, and being unanimously of the opinion that it is for the best interest of our shareholders to accept the same, have agreed to deposit our shares (except qualifying shares) and have subscribed to such shares of the common stock of the Kansas City Stock Yards Co. of Maine as we are entitled to, and we recommend the same action on the part of all stockholders.

CHARLES F. ADAMS.
CHARLES F. MORSE.
WALTER HUNNEWELL.
FRANCIS L. HIGGINSON.
EUGENE V. R. THAYER.
C. MINOT WELD.
FRANK H. DAMON.

Present status of Morris control.—The reorganization accomplished its purpose and assured the Morris interests control of the Kansas City Stockyards. Of the 25,000 common or voting shares of the new Maine company, the Morris interests now control at least 15,000 shares. Of these shares only 26, according to list of shareholders furnished the commission, stand in any Morris name. However, by means of questionnaires and by direct examination of stockholders and records the real control of the Morris shares was shown to be as follows:

	Shares.
Morris & Co	26
E. V. R. Thayer, New York City*	6,177
Martin H. Foss, Chicago*	290
R. A. Hatchings, Boston*	4,165
Morris & Co. employees	1,186
Other shareholders giving proxies to Morris interests (1917)	4,135
Total	15,979

The following letters show the stock held for the Morris interests by the persons marked with an asterisk (*):

THE MERCHANTS' NATIONAL BANK OF BOSTON,
Boston, Mass., January 23, 1918.

Mr. LEONIDAS L. BRACKEN,
Secretary Federal Trade Commission, Washington, D. C.

DEAR SIR: In reply to your favor of January 12, I beg to say that the 4,165 shares common stock of the Kansas City Stock Yards Co. of Maine registered in my name were indorsed in blank and forwarded to the estate of Edward Morris, Chicago. The name or names of the beneficiary or beneficiaries are not known to me, and I did not receive any consideration for making such assignment.

Yours, very truly,

R. A. HATCHINGS.

EUGENE V. R. THAYER,
57 Broadway, New York, January 21, 1918.

L. L. BRACKEN, Esq.,
Secretary Federal Trade Commission, Washington, D. C.

DEAR SIR: I am in receipt of your favor of January 12, and in reply I beg to say that I am the sole owner of the 100 shares Kansas City Stock Yards Co. of Maine, preferred stock, referred to. Of the 6,191 shares of common stock registered in my name 14 shares are owned by me, the balance having been indorsed

in blank and forwarded to Mr. Edward Morris, of Chicago. The name or names of the beneficiary or beneficiaries are not known to me, and I did not receive any consideration for making such assignment.

Very truly, yours,

EUGENE V. R. THAYER.

MARTIN H. FOSS, LAWYER,
104 SOUTH LA SALLE STREET,
Chicago, January 25, 1918.

FEDERAL TRADE COMMISSION,
Washington, D. C.

GENTLEMEN: Replying to your communication of the 12th instant re 365 shares common stock of Kansas City Stock Yards, I beg to state that I am not the owner of said stock. To the best of my knowledge and belief it stands in my name in trust for the following-named persons:

	Shares.
Mrs. Helen Nielson, Chicago, Ill	66
Nelson S. Morris, Chicago, Ill	112
Edward Morris, jr., Chicago, Ill	112
Thos. E. Wilson, Chicago, Ill	75
	365

MARTIN H. FOSS.

It will be recalled that Edward Morris set out at the time of the reorganization of the Kansas City Stockyards Co. the latter part of 1912 to secure 12,500 shares of the new common stock. The following receipt, dated January, 1913, would indicate that he was successful in this undertaking:

"CHICAGO, ILLINOIS, *January —, 1913.*

"Received from Eugene V. R. Thayer certificates for twelve thousand five hundred (12,500) shares of the common stock of the Kansas City Stock Yards Company of Maine, described as follows:

"Certificate No.	616	for	3,000	shares.
" "	617	"	3,000	"
" "	618	"	3,000	"
" "	619	"	3,500	"
Total			12,500	"

"(Signed) E. MORRIS.
By O. M. MACFARLANE."

The fact that the commission has not ascertained the present Morris holdings to be as large as they evidently were in 1913 does not prove that the entire 12,500 shares are not still controlled by the Morris interests. The following letters may be taken as an indication of this:

[Morris & Co. Union Stock Yards, Chicago.]

CHICAGO, *February 5, 1917.*

Mr. EUGENE V. R. THAYER,
30 State Street, Boston, Mass.

DEAR SIR: I inclose herewith certificates No. A26 for 100 shares of Kansas City Stock Yards Co. of Maine stock in your name.

Will you kindly have issued in lieu thereof new certificates to read William T. Kemper 50 shares, Eugene V. R. Thayer 50 shares, the certificates in your name to be assigned in blank the same as before?

I inclose $1 for State transfer tax.

Kindly mail me new certificates at your earliest convenience, and oblige,

Yours, truly,

F. J. CRAMSIE.

FEBRUARY 20, 1917

F. J. CRAMSIE, esq.,
Morris & Co., Union Stock Yards, Chicago, Ill.

DEAR SIR: Referring to your letter of February 5, I am sending you herewith by registered mail certificate No. 1277, for 50 shares Kansas City Stock Yards

common stock in my name, indorsed in blank, this being a part of the 100 shares sent me for transfer. The 50 shares which have been transferred to William T. Kemper are still in the hands of the transfer agents, as they will not deliver this stock to me until the address of Mr. Kemper is supplied them. I wrote you asking for this address on the 10th instant, but have not yet received a reply. Will you kindly give this matter your attention, and the stock will be forwarded you.

Very truly, yours, ——— ———.

Mr. COLVER. Taking up the cash subscriptions to stock, the commission did not locate all of the capital investment records of some of the important stockyard companies, but the important cases, where the records are complete, show that the big packers invested only a small amount of cash in the stockyards as compared with their present holdings.

In several instances cash subscriptions were made below par, as in the case of the Morris interests securing their 12,500 shares of the common stock of the Kansas City Stock Yards Co. at $50 per share when the par value of the stock was $100.

CHICAGO STOCK YARDS CO. OF MAINE.

A marked example of how little cash was invested as compared with their holdings is shown in the following case:

In September, 1911, Mr. F. H. Prince, a banker of Boston, Mass., and Mr. J. Ogden Armour, of Chicago, formed a corporation known as the Chicago Stock Yards Co. of Maine. This company was formed for the purpose of acquiring control of the Chicago Junction Railway & Union Transit Co. of New Jersey, which in turn controlled the properties represented by the Union Stock Yards Co. of Chicago and sundry other properties. One million dollars in cash was paid in, of which Mr. Armour contributed $194,000. A few months later the capital stock of this Maine corporation was increased to $8,000,000.

The CHAIRMAN. From $1,000,000?

Mr. COLVER. From $1,000,000 without the contribution of a cent in money.

The CHAIRMAN. Or other property?

THE "PLAN."

Mr. COLVER. The only thing that was contributed or that was writen in for that $7,000,000 was a typewritten plan, a plan which set out what an advantageous thing it would be to pile a third corporation on top of the two that were already piled up, and guarantee a dividend to subsidiary companies, and the only thing in the world that represented that $7,000,000 was that typewritten plan.

The CHAIRMAN. Who furnished that valuable plan?

Mr. COLVER. The typewritten plan?

The CHAIRMAN. The $7,000,000 plan. I do not mean the name, but what interests?

Mr. COLVER. In the books, it was furnished by the secretary of Mr. Prince, who was Mr. Armour's partner in this transaction, a man named Pegram.

The CHAIRMAN. Was it a patent?

Mr. COLVER. Oh, no.

The CHAIRMAN. What was it—a mere suggestion?

Mr. COLVER. I think the best description of it is that it was a prospectus.

The CHAIRMAN. A prospectus?

Mr. COLVER. Yes.

The CHAIRMAN. And no property value of any kind went with it or became a part of it?

Mr. COLVER. No; it was either a prospectus or aqua pura.

The CHAIRMAN. Have you a copy of that plan, or whatever it was, that was sold for $7,000,000?

Mr. COLVER. Yes; we will put it in at this point.

The CHAIRMAN. Yes. Then proceed.

Mr. STEPHENS. We will see whether it was worth it or not.

Mr. COLVER. It was worth it because it earned dividends.

Mr. SWEET. Was any stock issued for the $8,000,000?

Mr. COLVER. $8,000,000 was issued.

(The "plan" referred to follows:)

An agreement made this 27th day of September, 1911, between Frank R. Pegram, of Cohasset, in Massachusetts, of the one part, and the Chicago Stock Yards Co., incorporated under the laws of Maine (herein called the company) of the other part.

Whereas the said Pegram and his associates caused to be formulated a plan dated June 30, 1911, with the following, namely:

Messrs. Richard Olney, chairman, Guy Norman, S. L. Schoenmaker, E. V. R. Thayer, F. R. Hart, as committee, and the said Pegram has obtained the assent to the said plan of the holders of more than 60,000 common shares of the Chicago Junction Railways & Union Stock Yards Co. As evidenced by their assents deposited with the Old Colony Trust Co. and the said Pegram now holds and controls the said assents and the right to transfer the same, together with all interests therein and all benefits to accrue therefrom.

And whereas the said plan—

(a) Assures to the Chicago Junction Railways & Union Stock Yards Co. a continuance of the business now carried on by the packers upon a permanent basis and a great increase in the earnings, profits, and dividends, to which the holders of the common shares of the Chicago Junction Railways & Union Stock Yards Co. will become entitled as well as a great increase in the value of the said shares; and

(b) Will vest in the company (if it shall acquire the uses and benefits of the said plan) the right to all dividends and other payments out of earnings apportionable to the said common shares the holders of which have heretofore assented or may hereafter assent to the said plan over and above the fixed annual charges specified in the said plan. But the company can not receive any of the said benefits without having acquired the same from the said Pegram nor without having raised $1,000,000 in cash in order to comply with the conditions specified in the said plan.

And whereas the company has been organized under the laws of Maine, with a capital of $1,000,000, and desires to acquire the uses and benefits of the said plan and the action of the said shareholders thereunder and requires the sum of $1,000,000 in cash so to do.

Now, therefore, it is agreed by and between the parties hereto as follows:

(1) The said Pegram hereby sells, assigns, transfers, and sets over to the company, its successor and assigns, the said plan dated June 30, 1911, and all the assets thereby of the shareholders of the Chicago Junction Railways & Union Stock Yards Co., which have heretofore been made as well as all such assets that may hereafter be made together with all right, title, interest, and benefit in and to the said plan and assets of every kind and nature. And the said Pegram agrees to pay to the company forthwith the sum of $1,000,000 in cash.

(2) The company hereby accepts the foregoing property and acknowledges that it has received the payment of the said sum of $1,000,000.

(3) As consideration for the said property and for the services of the said Pegram the company agrees to pay $8,000,000 therefor, payable in the full paid nonassessable stock of the company at par. The company agrees to issue and deliver forthwith to the order of the said Pegram $999,000 par value of the capital stock of the company now authorized and not heretofore subscribed. The company further agrees to cause to be delivered forthwith to the order

of the said Pegram the $1,000 par value of its capital stock theretofore subscribed. The company further agrees to increase its authorized capital stock to an authorized amount of $8,000,000 capital and to issue and deliver to the order of the said Pegram $7,000,000 par value of its shares as soon as such increase can be made according to law.

In witness whereof the said Pegram has hereto affixed his hand and seal and the company has caused its common seal to be hereto affixed and these presents to be signed in its name and behalf of its proper officer the day and year first above written.

FRANK R. PEGRAM. [SEAL.]

[SEAL C. S. Y. CO.]

CHICAGO STOCK YARDS CO.,
By GEORGE F. DOHERTY, *President.*

Attest: NORMAN J. MACGAFFIN.

CHICAGO STOCK YARDS CO. PLAN,
Dated June 30, 1911.

On behalf of the Chicago Stock Yards Co., if and when formed (hereinafter called the New Company), it is proposed to the holders of common stock of the Chicago Junction Railways & Union Stock Yards Co., subject to the terms and conditions hereinafter set forth, as follows:

To enter into a trust agreement with such of said stockholders as may elect to become parties hereto whereby, among other things, said assenting stockholders will receive the guaranty and agreement of the new company (by way of a stamp thereof on their respective stock certificates) to pay such stockholders annually the fixed sum of $9 in respect of each share of said stock in quarterly installments of $2.25 each. There is also extended to the holders of such stamped certificates the privilege of exchanging the same for collateral trust bonds on the basis of $200 face amount of 50-year 5 per cent collateral trust gold bonds of the new company in such form and secured as the committee may prescribe or approve for each share, which privilege shall remain in force until the new company shall give or cause to be given in such manner, and for such period as the new company, with the written approval of the committee, may fix and determine, notice of the withdrawal and termination thereof.

The Old Colony Trust Co. is hereby designated and authorized to receive from stockholders electing to become parties to this plan stock certificates for the purpose of being subjected to the trust agreement and stamped as in the above paragraph provided, and pending the declaration by the committee that this plan has become and is operative assents and agreements of stockholders manifesting their election to accept this plan and to become parties thereto.

This plan and the said trust agreement shall become operative if and when in the opinion of the committee it has become advisable to carry the same into effect.

Upon such declaration being filed with the Old Colony Trust Co. the new company shall deliver to the trust company the collateral trust bonds (or interim certificates temporarily representative thereof) which are deliverable to stockholders who shall at that time have elected to avail themselves of the provisions hereof.

The trust agreement shall be deposited with the Old Colony Trust Co.

Each and every holder of such common stock who shall deliver the certificate therefor or who shall deliver to the said trust company his assent to said plan as above authorized and provided for shall thereby become a party to this plan and the agreements herein contained with the same force and effect as if he had subscribed and affixed his seal to this plan and the agreements herein contained.

Each such depositing or assenting stockholder agrees that, upon demand of the committee or of the Old Colony Trust Co., he will from time to time execute such assignments, powers of attorney, and other instruments as the committee shall deem necessary or proper to more fully effectuate the transfer of such stock certificates, the stamping of said guaranty thereon, the making of such stockholder a party to the trust agreement, and the accomplishment of the provisions thereof.

The committee [illegible] in good faith to promote the [illegible] of this plan; but it is expressly understood that no member of the committee assumes any responsibility for [illegible] no member of the committee shall [illegible] be in any wise liable [illegible] for the consummation of this plan.

The committee shall have the power, in its discretion, from time to time, to extend the time within which the holders of any of the aforementioned common stock may deposit the same and become parties to the trust agreement, and in connection therewith to impose such terms and conditions as it shall see fit, including the making of a cash payment as a condition of becoming a party or parties; to provide that any member thereof may, with the approval of the other members, act and vote by proxy; to prescribe the form and terms of any securities for the issue of which provision is made in the said plan and agreement; to declare the aforesaid offers and this plan operative if and when the committee shall, in its discretion, deem that the amount of the deposited and assenting stock is sufficient to warrant such declaration, and the declaration of the committee shall be final and conclusive upon all parties hereto; to provide, after the making of said declaration, if, and when the committee sees fit, and upon such terms as it shall prescribe, for the acceptance of the said offer by holders of any of the aforementioned stock not deposited prior to such declaration; to carry out and effectuate this plan in whatever manner the committee shall at the time deem most expedient, and, generally, to make and determine all arrangements and things which, in its judgment, are necessary or expedient to carry out this plan; to construe this plan and the appended trust agreement.

Any such construction by the committee, or any action under any such construction made or taken in good faith, shall be final and conclusive. Also to supply any defect or omission of or in this plan or said agreement, or to reconcile inconsistencies in it in such manner and to such extent as shall, in the opinion of the committee, be necessary or expedient to carry out the same properly and effectively, and the committee shall be the sole judge of such necessity or expediency; and from time to time to make such modifications of said agreement as it shall consider necessary or expedient, provided it is consistent with its general purpose and does not change the price which the common stockholders shall receive for their share or the terms of the guaranty thereon, in case of election to accept the guaranty. The new company shall have power to make any and all adjustments of interest, and dividends by it deemed fair and equitable in case of the exchange of any such stock or stamped certificate for bonds, and such adjustment shall be final and conclusive.

In the event of the resignation, death, or inability to act of any member of the committee, the vacancy so caused shall be filled by the remaining members of the committee.

All action of the committee may be had and taken by a majority of its members.

In no event is any claim to be made against any depositing or assenting stockholder, or enforced by way of lien, or otherwise, against any of the deposited or assenting stock for which such certificates shall have been issued, for or on account of the charges or expenses of the committee. The compensation of the committee and of the trustee and all expenses of the committee and of the trustee, in connection with the carrying out of this plan and said trust agreement, shall be paid by the new company.

No assenting stockholder shall have any interest in any of the shares of stock of the New Co. or of the disposition thereof.

The provisions and benefits of this plan and said trust agreement shall be confined strictly to the parties thereto, in accordance with the terms and provisions thereof.

This plan and said trust agreement shall be deemed, according to its terms, to bind and benefit the several parties thereto, their and each of their survivors, executors, administrators, and assigns.

RICHARD OLNEY, *Chairman.*
SAMUEL CARR.
GUY NORMAN.
S. L. SCHOONMAKOR.
E. V. R. THAYER.
F. R. HART, *Secretary.*

17 COURT STREET, BOSTON, MASS., *June 30, 1911.*

Mr. COLVER. Mr. Armour shared pro rata in the new stock which was issued, thereby increasing his stock holdings from $194,000, which was put in in cash, to $1,552,000, without the payment of an additional cent.

This company has paid dividends at the rate of 5 per cent annually on the $8,000,000 of capital stock, regularly since January 1, 1914, and has paid one extra dividend of 3 per cent. The net result has

been that Mr. Armour has received, as his share of the dividends, $356,950 from January, 1914, to December 31, 1917.

The CHAIRMAN. What did the Boston man get?

Mr. COLVER. And the dividends are made possible or derived from the charges which are made in the yards at Chicago.

Mr. MURDOCK. Mr. Colver, Mr. Sims just asked you at that point what did Mr. Pegram, the Boston man, receive?

The CHAIRMAN. What did he receive in the way of dividends during this time?

Mr. COLVER. He received his salary as secretary.

THE "BEARER-WARRANT" DEVICE.

The CHAIRMAN. Who got the dividends on the other portion of the $8,000,000 of stock which was not drawn by Mr. Armour?

Mr. COLVER. That has got the riddle of the Sphynx beaten to death, because that company is the most remarkable company, perhaps, in the United States. There is a company that nobody knows who owns it. There is a company that has the most amazing device for ownership, I think, that any of you gentlemen, or certainly any of us in the commission, ever heard of. I can not tell you who gets it.

The CHAIRMAN. Can you tell the committee who owns that stock of record on the books which Armour does not own?

Mr. COLVER. The stock of record on the books is owned by the treasurer of the company.

The CHAIRMAN. The treasurer?

Mr. COLVER. The treasurer of the company.

The CHAIRMAN. As an individual?

Mr. COLVER. As trustee.

The CHAIRMAN. As trustee of the company?

Mr. COLVER. As trustee for the folks who own the stock. He owns it as trustee for the owners of the stock. The company is a Maine corporation, with offices in Boston, and owns stock in the company which owns the stock of the stockyards in Chicago, if you follow me.

The CHAIRMAN. I follow you as far as you have gone.

Mr. COLVER. Every share of stock in that company is in the hands, theoretically, of the treasurer of the company. The president of the company lives in Maine, and he has a share of stock.

The CHAIRMAN. One share?

Mr. MURDOCK. One share.

Mr. COLVER. He gets a dividend of $2.50. We asked him if he kept it, and he said, "Oh, no"; that he had to turn that in. Every share of that stock, as I say, stands on the books in the name of the treasurer of the company, and in return for that the treasurer of the company issues a stock warrant. The stock warrant says:

Chicago Stock Yards Co. Warrant to bearer.

Then this warrant goes on to say——

The CHAIRMAN. Well, read it.

Mr. COLVER (reading):

This is to certify that the bearer of this warrant is entitled to ——— fully paid-up shares in the Chicago Stock Yards Co. upon demand, and meanwhile to receive all dividends declared upon the said shares and to exercise the voting powers in respect thereof under and subject to the provisions of article 25 of the by-laws of the company, a copy of which is indorsed hereon. [On the back.]

In witness whereof the Chicago Stock Yards Co. has caused this warrant to be signed by its president or vice president and its secretary or an assistant secretary this ——— day of ———, ———.

with blanks for the signature of the president—the $2.50 president, who does not keep his $2.50—the secretary, and countersigned and registered by the State Street Trust Co., of Boston; and over on the back article 25 says—now, mind you, no name has appeared here, none whatever.

The CHAIRMAN. It does not show who owns the stock to whom that warrant is issued?

Mr. COLVER. Nobody knows.

The CHAIRMAN. I say it does not show the owner of the stock to whom this warrant is issued?

Mr. COLVER. It does not show. Now, on the back is the provision of how the bearer, not the owner, but the bearer, of this certificate may exercise the two sovereign rights of stockholders; that is, vote and get dividends.

In order to get this dividend, there is annexed—I am giving you the substance of this article 25, and if it is agreeable to you I will then hand the paper to the stenographer and article 25 will go in in full.

The CHAIRMAN. Have him put it in the record just as it is.

Mr. COLVER. I will give you the substance of it as near as I remember it.

ARTICLE 25. WARRANTS FOR SHARES TO BEARER.

(1) The company may upon the delivery to it of the certificate for any fully paid up share or shares with a transfer thereof to the company issue for the share or shares therein specified a warrant or warrants entitling the bearer to such share or shares and providing by coupons or otherwise for the payment of the future dividends on such share or shares.

(2) The shares specified in the certificate so delivered up shall from time to time be transferred to the company as agent for share warrants and deposited with the registrar of share warrants and shall not afterward be transferred and no certificate shall be issued therefor except in accordance with the provisions hereof.

(3) The warrants shall be under the common seal of the company and shall be signed by the president or a vice president and by the secretary or assistant secretary or some other person appointed in place of the secretary by the directors. The dividend coupons attached to the warrants shall bear the facsimile signature of the treasurer of the company which may be adopted and used by the company notwithstanding that such person may have ceased to be treasurer at the time such coupons are issued. When all of the coupons attached to any warrant shall have been paid a new sheet of coupons will be attached to the warrant upon presentation thereof to the company.

(4) If any warrant or coupon shall be worn out or defaced the directors may on surrender thereof issue a new one in its place.

(5) The directors may upon proof to their satisfaction of the loss or destruction of any warrant or coupon and upon such indemnity being given to the company as they shall deem adequate issue another warrant or coupon in its place.

(6) The company shall be entitled to recognize the bearer of any warrant or coupon as absolutely entitled to the share or shares or dividend therein specified.

(7) The bearer of a warrant may deposit the warrant at the office of the company or at any bank or trust company not less than three days before any meetng of the company and the company or the bank or trust company may issue to the depositor a deposit receipt and a voting certificate in such form as the board of directors shall provide. The voting certificate shall entitle the depositor to attend and vote and exercise the rights of a member at such meeting in respect of the share or shares for which the warrant or warrants have

been so deposited and to receive at or prior to the meeting such proxy or instrument as may be necessary to enable him so to do and after the meeting the warrant or warrants shall be returned to the bearer of the deposit rceipt upon surrender thereof. And in respect of all shares specified in any warrants that shall not have been so deposited the treasurer shall attend and vote and exercise the rights of a member in such manner as he and the president of the company shall agree.

(8) If the bearer of a warrant shall surrender it together with the unmatured coupons thereto belonging and request in such form as the directors prescribe that he be registered as a stockholder or member in respect of the share or shares specified in it the company shall transfer into his name the share or shares specified in the certificate of shares originally delivered up in respect of which said warrant was issued and shall issue a new certificate therefor. The registrar of share warrants shall transfer from time to time shares deposited with it as aforesaid in such manner as may be necessary to give effect to the foregoing provisions. And all transfer agents and registrars of the company shall be relieved from all liability in respect of such transfers.

(9) The company shall appoint a registrar of share warrants who shall countersign and register all warrants before they are issued no warrant shall be valid unless so countersigned and registered.

(10) The company may appoint agents in Boston or elsewhere with full power and authority to do all things that may be necessary to carry out and give effect to the foregoing provisions respecting the share warrants and to vest in the holders of such warrants the rights and interests specified herein.

Mr. DOREMUS. Would it bother you if I asked you a question right there?

Mr. COLVER. Certainly not.

Mr. DOREMUS. After this stock was increased to $8,000,000, and after Armour had gotten his rake-off in the form of additional stock certificates, the balance of the increased capital stock was issued in the name of the treasurer of the company as trustee; is that correct?

Mr. COLVER. No; from start to finish the stock of that company took the form of these stock warrants, and the Armour stock and all the stock took the form of stock warrants, and all of it, the $8,000,000, is in the hands of the treasurer, theoretically.

Mr. DOREMUS. It stands on the books of the company to the credit of the treasurer, as trustee, does it not?

Mr. COLVER. Yes; and there is no record in any book of any ownership by Armour or any other individual.

Mr. DOREMUS. Have you examined the treasurer of the company?

Mr. COLVER. Yes.

Mr. DOREMUS. Will he not tell you who the real owners are?

Mr. COLVER. He does not know.

Mr. DILLON. May I ask you a question at that point? Who got the money on those warrants? Do not the books disclose that?

Mr. SWEET. The dividends.

Mr. SANDERS. Let him explain how the dividends are collected, and then we will all know how they got the money.

Mr. COLVER. Yes; I am coming to that. First, how to get your dividends if you have one of these stock warrants.

Mr. MONTAGUE. Is there a distinction in that concern between a stock certificate and a stock warrant?

Mr. COLVER. All the difference in the world.

Mr. MONTAGUE. Has the stock warrant any voting power?

Mr. COLVER. I said I would now tell you how, under article 25, not the owner of this warrant, but the holder of this warrant may exercise the two rights of stockholders—to vote and receive dividends.

Mr. MONTAGUE. Do you have a voting trust?

Mr. COLVER. A voting device. I would not call it a trust. Let me come to that, please.

Mr. MONTAGUE. All right.

Mr. COLVER. I beg your pardon, but if I say no, when you ask about a voting trust, I do not know whether I have answered correctly, but I will tell you how they do it, and then you will see.

Mr. SANDERS. I would suggest that the gentleman tell us how they vote and then how they draw their dividends, and then we will all understand it without any questions. I understand they are payable to holder.

The CHAIRMAN. To bearer.

Mr. SANDERS. To holder or bearer; it is the same thing.

The CHAIRMAN. One thing which does not seem to me to be explained is whether or not the $8,000,000 paid, or supposed to be paid, is in the treasury of the company as cash or otherwise?

Mr. COLVER. It was not even supposed to be paid in. One million dollars was paid in.

The CHAIRMAN. I know that, but I am referring to that $7,000,000.

Mr. COLVER. The other $7,000,000 was the plan that was put in the files, and that makes $8,000,000, and then you have $8,000,000 of stock and the treasurer has got that.

The CHAIRMAN. And the dividend applies to the $1,000,000 cash paid in as well as the $7,000,000 plan.

Mr. COLVER. Oh, yes; the $7,000,000 is just as valuable for dividend purposes as the $1,000,000 in cash.

Mr. MONTAGUE. The $7,000,000 is water, is it not?

Mr. PARKER of New Jersey. Seven million dollars of it is water, he said.

Mr. COLVER. Yes.

Mr. SANDERS. He has already stated it was absolutely water and that there was no value behind it, and any stock issued with no value behind it is water.

Mr. COLVER. Only such value as there may be in a prospectus.

Mr. SANDERS. The whole $8,000,000 of stock was issued to the treasurer, and then these warrants went out to the individuals.

Mr. COLVER. Exactly so. Now, then, following the device as explained in this article of the by-laws, No. 25, of this company, first we are going to develop two things: First, how they vote the stock, and then how they get the money, and both things are provided for in this section 25. I can tell it to you quicker than read all this verbiage, because it was drawn up by a very good lawyer.

Annexed to the stock warrant, then, is a sheet similar to the kind you will find on your good old Liberty bond of coupons, and section 25 provides that when you have used up your coupons you can send in and get a new sheet. The coupons on this original document here are numbered from No. 1 to No. 40. To collect the dividend you tear off this one [indicating] and then this one, and so on across the bottom row, beginning at the lower right-hand corner.

The dividend coupon reads as follows:

Dividend coupon No. 1.
Chicago Stock Yards Co.

For dividend No. 1, on ——— shares in the Chicago Stock Yards Co., represented by bearer, warrants payable at the office of the company on or after the date upon which the said dividend shall be payable.

F. R. PEGRAM, *Treasurer.*

You will notice it does not give the number of the bearer warrants. Mr. Pegram is the man who had the $7,000,000 plan.

Now, section 25 provides that the holder of this piece of paper cuts this coupon off and without indorsement and without anything to show what it is worth or what the dividend was, puts it through any bank for collection, and in due time the proceeds come back.

Now, at the other end of the line the treasurer of the company deposits in the bank in Boston the dividend on all the $8,000,000 to the credit of their dividend account, and as the dividends come in from wherever they may come in——

The CHAIRMAN (interposing). As the dividend coupons come in.

Mr. COLVER. As these coupons come in from wherever they come in, the bank's check goes back to satisfy the coupon in the amount that the bank has been notified the dividend is per share. So that the company and the treasurer have not the slightest knowledge and no way of knowing who got the dividend, and the bank's check need not come back payable to anybody but bearer, or it can come back payable to anybody who happens to be able to inclose that coupon and ask that the dividend be sent to him. So I say that when you asked me what the ownership of the rest of this stock is, I said that that had Sphinx beaten as a riddle, because you can not tell.

Now, how do you vote it?

It is provided in this section 25 that if this bearer warrant is deposited in any bank or trust company in the United States, and the bank or trust company shall give a certificate that this paper is so deposited in their custody, then that certificate may be used as a proxy and voted at a stockholders' meeting, but the certificate does not need to say who deposited the warrant. Perhaps, legally, that bank is voting as a proxy. There is nothing to disclose who does vote.

If I owned this warrant, and this were a real one instead of a canceled one, I might take the train, go down to North Carolina, get off at the railroad station, call the first man I met on the street, ask him to take this over and deposit it in the bank and get a certificate that it was there, and under the section of the by-laws, here, he could do that, come back, hand me the bank's certificate, and I could take the train and come back here, mail the thing into Boston, and it would be voted, and it would be my proxy and be that stock voting. There would be nothing in the world to show who I was or anything about it.

That is a rather long diversion from the subject of stockyards, but it is interesting and curious. Sometimes it seems curious that such devious methods are necessary. Of course, it is interesting to Congress in view of the legislation which is coming forward now to think that there is not an income-tax law on earth that could reach that.

Mr. SWEET. This corporation was organized under the New Jersey laws?

Mr. COLVER. Maine.

Mr. STREET. Have you found any other organizations of this character in connection with the packers?

Mr. COLVER. No.

Mr. SWEET. Or stockyard companies?

Mr. COLVER. No; this is a novelty.

Mr. WINSLOW. The money due on those coupons is evidently paid to somebody.

Mr. COLVER. Yes.

Mr. WINSLOW. And the coupons are deposited somewhere by somebody for collection.

Mr. COLVER. Yes.

Mr. WINSLOW. Why can not you trace back to the depository bank that makes the collection and find out for whose account they collected?

Mr. COLVER. Because I could take that coupon and walk to the window of the paying teller of that bank and take cash. It requires no endorsement and requires no identification.

Mr. WINSLOW. While that may be so, the chances are they do not carry it that far.

Mr. COLVER. No; but, in fact, this is how far they do carry it, if you will pardon me, to send it to an agent in Boston who himself goes to the bank and gets the check or gets his cash which is not identified. As a matter of fact, under oath, the officers of that company do not know who gets the dividends, and there is not a scrap of record in their records which shows who their stockholders are.

Mr. WINSLOW. They may not want to know, but if you do want to know, do you not imagine you could trace some of those back to the source?

Mr. COLVER. There was never a more determined effort—and I think able effort—made to discover the stock holdings of a company than was made by the commission with respect to this company.

Mr. WINSLOW. And they are willing to go on record as having abandoned it because they could not put it through?

Mr. COLVER. No; we do not go on record as having abandoned it. We go on record as reporting progress. We have got some information.

Mr. PARKER of New Jersey. Did you try the State Street Trust Co.?

Mr. COLVER. Yes.

Mr. PARKER of New Jersey. Did you find out who the State Street Trust Co. paid? You said they paid these things; that they get the whole dividends, and then distribute them.

Mr. COLVER. In some cases the State Street Trust Co. sent bank check to other banks.

Mr. PARKER of New Jersey. I say, did you examine the State Street Trust Co. to find out where the money went to? They got the whole dividend and it disappeared, according to your statement. Did you examine their officers?

Mr. COLVER. Yes. But they do not know. I say the thing came in from other banks for credit to the other banks, and they say they paid it to a bank.

Mr. PARKER of New Jersey. To another bank?

Mr. COLVER. Yes.

Mr. PARKER of New Jersey. Any large amount paid a bank could be traced to the bank to whom paid. Money always leaves a trail behind it.

Mr. COLVER. I beg your pardon.

Mr. PARKER of New Jersey. They say money always leaves a trail behind it, so to speak.

Mr. COLVER. I know it does, but when you start the trail through a series of institutions in the country over which the Federal Trade Commission has no jurisdiction and no right to ask for their records, then the trail is lost; it is like walking into the river.

Mr. DEWALT. Do they not have to collect those coupons after the customer has presented and cashed the coupon by depositing a memorandum in connection with the coupon in the bank? Otherwise, how do they get around the taxes under the internal-revenue requirements?

Mr. COLVER. How do they get around it? I did not say they got around the internal-revenue tax on the corporation, but I said you could not write an income or personal tax law that would catch that dividend.

Mr. DEWALT. As I understand it, we have here a person depositing a coupon in a bank to be collected, and to that coupon we have to attach a slip which they make out and send along with it. There is no such thing as blind cashing of a coupon as you would "cash" a dollar bill or change it. You have got to show the source from which that collection is made, by whom it is made; how do they defeat that?

Mr. COLVER. Maybe Mr. Roper found them; we did not. They are not in the company's books and they are not in the company's record. We can not go into the bank's records.

Mr. SANDERS. Can you not go into the returns under the law on income taxes? Is it because they are not public property?

EARNINGS ON CHICAGO STOCK YARDS OPERATIONS.

The CHAIRMAN. Mr. Colver, right there: If you have finished that explanation—I do not want to break in on you—what do the books of the Stock Yards Co. show that they have received as fees, as commissions, or in whatever name they give their receipts? Do not their books show how much money they have received as a Stock Yards Co.? I mean from the ordinary functions of the Stock Yard Co. for the services it renders.

Mr. COLVER. You see, this Maine corporation was formed for the purpose of owning stock of the New Jersey corporation, and its receipts are the dividends on the stock that it owns of the New Jersey corporation.

The CHAIRMAN. I know; but the receipts of the Stock Yards Co. itself, where it actually receives the stock—physically receives—is there not some record to show what money that company receives in Chicago for the services they are performing?

Mr. COLVER. Oh, bless you, this Chicago Stock Yards Co. does not receive any money in Chicago and does not run the stockyards in Chicago. It hands the stock to a company which owns the stock of a company which operates the yards in Chicago.

The CHAIRMAN. The one that operates the yards pays its money over when it receives it from this other company?

Mr. COLVER. Yes.

The CHAIRMAN. That company actually operates the yards. Does it not show what it receives for that part of the operation?

Mr. COLVER. Oh, yes.

The CHAIRMAN. How much does that amount to? Does it amount to 5 per cent on this $8,000,000?

Mr. COLVER. Oh, there is no question there. It is perfectly easy to find out from the books what these dividends were. But all I said was that you can not find out who got them.

The CHAIRMAN. If it goes to surplus and is not distributed in the way of dividends, does it show the fact of its distribution in the business, its financial status?

Mr. COLVER. I think perhaps we have something about the financial condition of that company.

The CHAIRMAN. They make 40 per cent and only pay out 5 per cent in dividends. What I wanted to get was to see whether the 5 per cent on this $8,000,000 only covers pay for services actually performed for which they received actual money.

Mr. COLVER. The 5 per cent represents 40 per cent on the $1,000,000 that actually was paid in, if that answers your question?

The CHAIRMAN. The 5 per cent on $8,000,000?

Mr. COLVER. Yes; that is 40 per cent on the $1,000,000 that was put in—if that answers your question?

The CHAIRMAN. That is all right. I will not ask you any further. Go ahead. What I am trying to find out is whether the operating company at Chicago received more money than it transferred to these other companies if figured out in dividends.

Mr. COLVER. Oh, I see. The operating company in Chicago does receive more money and accumulates surplus, and it passes the money on to the overlying or holding companies in the form of regular dividends and extra dividends from time to time.

The CHAIRMAN. Do they not know then what the patrons of that company, whose stocks are handled through it, actually pay out? They have to have a record of the financial transaction of that particular company. Have you got that?

Mr. COLVER. Oh, yes. The financial transactions of the operating company in Chicago? Yes, we can give you that.

The CHAIRMAN. You will please put it in as a part of your hearings.

(The statement referred to was subsequently furnished by Mr. Colver and is here printed in full as follows:)

THE CHICAGO STOCK YARDS.

The conduct of the Chicago Stock Yards is involved in the operations of five corporations. The affairs of these corporations, their finances and receipts, disbursements, are intermingled to such a degree that the commission's representatives worked three months to straighten them out.

The result of this work, as briefly stated as is possible, makes a volume of report. For the purpose of a response to the committee's request, the following statement is inserted in the record of the hearings at this time.

This statement is not a reply to the question as it refers to the scale of charges paid by producers of live stock, nor profits made in the operation of the stock yards. However, since the revenues of the three operating companies and the two holding companies are derived solely from charges laid upon the live stock, directly and indiretcly, the relation of charge to service performed, is indicated.

The five companies are—

(1) The Union Stock Yards & Transit Co. of Illinois.
(2) The Chicago Junction Railways & Union Stock Yards Co. of New Jersey.
(3) The Chicago Junction Railway Co. of Illinois.
(4) The Chicago Junction Railroad Co. of Illinois.
(5) The Chicago Stock Yards Co. of Maine.

Investigation of these companies has developed that—

1. The Union Stock Yards & Transit Co. of Illinois was incorporated in 1865. This corporation is actually an operating company engaged in furnishing facilities for the marketing of live stock at the Great Central Market in Chicago. The entire stock of this company is owned by the Chicago Junction Railways and Union Stock Yards Co. of New Jersey.
2. The Chicago Junction Railways & Union Stock Yards Co. of New Jersey was incorporated in 1890. It was formed as an investment company for the purpose of acquiring the stock of the Union Stock Yards & Transit Co. of Illinois. It finally succeeded in acquiring full ownership of this stock in 1913.

   This company owns, in addition to the above stock, all of the stock of the Chicago Junction Railway Co. of Illinois and of the Chicago Junction Railroad Co.
3. The Railways Co. was formed in 1898 for the purpose of acting as an operating company to furnish transportation and switching facilities to the shippers sending live stock or other products to the packers located in and around the Union Stock Yards.
4. The Railroad Co. is the name given to the elevated railway line which operates within the stockyards for the transportation of passengers.
5. The Chicago Stock Yards Co. of Maine was incorporated in September, 1911. It is also an investment company. This company owns 31,100 shares of the common stock of the Chicago Junction Railways & Union Stock Yards Co. of New Jersey. The stock thus acquired by the Maine company represents less than 50 per cent of the outstanding common stock of the New Jersey company, of which there is 65,000 shares.

It will be seen, therefore, that there has been created a superstructure on top of the companies which operate the yards and railways in Chicago, consisting of—

(1) A holding company organized under the laws of New Jersey in 1890.
(2) A second company organized under the laws of Maine in 1911, which surmounts all of these companies, though actually owning less than 50 per cent of the common stock of the New Jersey company.

It should be noted that this is a peculiar situation in that the Maine company is neither an operating company nor is it actually a holding company in the full sense in which that term is usually understood, since it does not actually own even a majority interest in the New Jersey company. It would hardly be expected, therefore, that the control of the New Jersey company (and through it of the underlying operating companies) would rest in the Maine company, yet such is the fact.

The public hearings and the examinations of the commission disclosed that the Maine company had been organized in 1911 by F. H. Prince, of Boston. Mr. Prince associated with himself Mr. J. O. Armour, of Chicago, Ill. Mr. Prince had in 1910 begun to acquire stock of the New Jersey company and had secured 13,000 shares for the joint account of Mr. Armour and himself. Mr. Prince owned, in addition, about 20,000 shares, the 13,000 shares having been acquired under the terms of a syndicate agreement at a price not to exceed $160 a share. He had also submitted a proposition to the common stockholders of the New Jersey company whereby the latter were to be guaranteed 9 per cent dividends on their stock, provided they would surrender their rights to any additional earnings, also to the surplus earnings of the New Jersey company and of the underlying companies.

Mr. Prince's plan proposed the formation of a new company, which was to have a paid-in capital of $1,000,000 in cash, which was to serve as a guarantee

fund to insure the payment of the 9 per cent dividends, the regular dividend paid heretofore by the New Jersey company having been 8 per cent. As an alternative to accepting this 9 per cent guarantee on their stock, the common-stock holders were offered 5 per cent bonds of the Maine company at the ratio of $200 in bonds for $100 par value in stock. The bonds of the Maine company would, therefore, net each former holder of one share of stock 10 per cent in interest instead of 8 per cent dividends.

The Maine company has acquired 31,100 shares of the New Jersey company stock through exchange of $6,220,000 of its bonds for this stock. The bonds are secured only by the stock thus acquired and the interest on these bonds plus the 9 per cent guaranteed dividends on the 33,897 shares of stock which accepted the guarantee provision is paid out of funds which the underlying companies provide. The Maine company has no other source of income other than the interest which it receives from the $1,000,000 cash fund and which interest does not amount to enough to pay the salaries and expenses of the Maine company.

The underlying companies are required to furnish funds not only for the bonds and the guaranteed dividends, but since 1914 they have contributed additional funds to pay a regular dividend of 5 per cent on $8,000,000 of stock issued by the Maine company, and one year an extra dividend of 3 per cent was paid by the Maine company on its stock.

(A further statement of stockyords earnings was subsequently furnished by Mr. Colver and is inserted in the record.)

Mr. Colver. This is a long diversion. We were trying to tell you who owns the stock of that company, and I think eventually we will find out.

TRACING OWNERSHIP OF CHICAGO STOCKYARDS.

This stock which we have just been talking about—the stock that the $1,552,000 worth of stock, which represents the $194,000 which Mr. Armour put in—we are tracing that transaction—and upon which his annual dividends are $77,600 a year on the $194,000 has laterally been transferred—not the stock, mind you; not the warrant, but some ink on the books as set up an investment, a statement of an investment of this amount of money in this Maine corporation; and it is now carried on the books of the Armour Co. as an asset of the Armour Co. under the title of "J. O. Armour No. 4 account."

So that finally he gets that much of it back to the Armour Co. It is a long and interesting story how that was finally gotten back there; but it was gotten back.

During the days that this particular tracing was being done was the time when the greatest uproar, the greatest complaint, was made that the commission would not let other witnesses be called and that the commission would not allow counsel to come in and examine witnesses. When we were very close to this discovery, during that time when we were trying to find out who this company was and what this company was, the commission carried on a telegraphic correspondence with the president of this company—that is, the commission thought it did—at an address in New York. We telegraphed to the Boston office of this company—to the president—and we got an answer from New York signed by his name, and we carried on a telegraphic correspondence with him; and then when we followed him down here some months later and put him under oath and asked him where he was during those days, he said he was in Portland, Me.

Mr. Stevens. Had he not really signed those telegrams?

Mr. Colver. No. He was not in New York; he did not know anything about it; he does not know anything about this company.

Mr. Sanders. Who was this president?

Mr. DEWALT. Do you know him?

Mr. COLVER. No. He is a clerk in the corporation—one of these concerns which have the necessary main office of a corporation which attends to business in another State—a corporation trust company or something like that; he is a clerk in that office.

Mr. MURDOCK. I would like to say to the committee that there was just one human side light for the purpose of this record. Mr. Pegram is an upstanding New Englander, a clerk, receiving $1,600 a year, and has received that for many years. He is the treasurer of this company. I remember that there passed through his hands millions and millions of dollars yearly, which he might have diverted, and I think, without saying that he never did divert a single cent, that he still draws his $1,600 a year.

The CHAIRMAN. Was the treasurer of the company selected up in Maine on account of physical nearness to Chicago?

Mr. COLVER. That was the president. [To Mr. Murdock:] The secretary is a Boston man, is he not?

Mr. MURDOCK. I have forgotten.

Mr. DEWALT. Mr. Chairman, the statutes of the State of Maine require the office to be there to make the corporation legal.

The CHAIRMAN. But this is a corporation formed in Chicago.

Mr. HAMILTON. Mr. Murdock, I do not suppose any credit attaches to a man for not taking something which does not belong to him?

Mr. MURDOCK. I did not mean that. He was a faithful clerk who did what he was told to do, and there passed through his hands in this unusual manner millions and millions of dollars.

Mr. HAMILTON. Your point is that he ought to have gotten a better salary?

Mr. MURDOCK. I should say that for all that service he should have gotten more than $1,600 a year.

Mr. COLVER. This Mr. Pegram is the man whom the records show, the sworn returns show, was the man who turned in the $7,000,000 plan and got the $7,000,000 stock. We asked him if he "got it," and he said, "No; that is, not really got it."

Mr. MURDOCK. I think you ought to say for Mr. Pegram that he received the plan from some one else and turned in the plan which was not his, and received $7,000,000 for it, the $7,000,000 not being his.

The CHAIRMAN. He was the personal conduit through which the transaction was performed.

Mr. COLVER. Of course, Commissioner Murdock, when you say he received $7,000,000, you say it in a Pickwickian sense.

Mr. STEPHENS. Mr. Colver, have you any suspicion who owns that $7,000,000 stock?

Mr. COLVER. Who owns it?

Mr. STEPHENS. Yes, sir.

Mr. COLVER. Well, we just showed you the increase of Mr. Armour's $194,000 to $1,552,000. You see that is 8 for 1. All those who participated or who owned the first million got pro rata the $7,000,000 of unearned increment, anyway.

Mr. STEPHENS. That would be the natural deduction.

Mr. COLVER. The Armour transaction was traced, and it does figure out; and that is the natural thing, and it is the only thing that could have happened.

Mr. SANDERS. Have you examined the people concerning whom you have suspicions and asked them if they have the stock, under oath?

Mr. COLVER. Yes; but I am sure you will relieve us from stating suspicions to the committee.

Mr. SANDERS. I say, have you summoned the parties whom you are suspicious of owning this stock—put them on oath and asked them if they own it? That would be one way of getting at their interests.

Mr. COLVER. I can not say that we have put all those whom we suspect of possible ownership under oath.

Mr. SANDERS. Have you put the other packers under oath—say, Swift & Co., Cudahy, and Wilson? If you suspicion them owning the stock, why have they not been summoned, sworn, and asked either to admit or deny it?

Mr. COLVER. Because this does not seem to be so important a matter—the ownership or the percentage of ownership, or whether or not there is ownership in those Chicago yards does not seem to be an essential thing, in view of the fact that common ownership has been shown, before you came in, in 32 other cases.

Mr. SANDERS. I understand that but then you do not want to state your suspicions, you say. If I was suspicious that you owned some stock and I wanted to find out as to the fact, if I had the power to summon you and swear you to tell the truth or lie about it, that is one way I would get at it.

The CHAIRMAN. Mr. Colver, there is no evidence in this record, so far as you went, that would indicate that any of the other packers owned stock in this company except Armour?

Mr. COLVER. There was not any evidence in the record that he did.

The CHAIRMAN. There is nothing in the record to base suspicions on except the facts as you have stated them?

Mr. COLVER. We did not go into this any further, because, having gone through this company and found out its relation to the Chicago Stockyards and having determined what it finally amounted to as an earning thing, and having gone to the next underlying company and got that—its financial transactions—we did not stop, in the hurry to get over more important things, to run down individual ownerships and put people under oath to cross-examine them, and all that sort of thing, because what we were after was not whether this, that, or the other man did or did not own stock in this, that, or the other company and made a lot of money or a little money—that did not seem to be the interesting thing.

The thing which seemed to be interesting was that we would be able to chart to you, if you wanted to hear it, the interrelations and entanglements and alliances and what they earned, knowing that everything that they owned must come in the last analysis from one of two sources—must either come from the farmers and producers of the stock who used these yards or from the consumers of the meat and other products of the live animals which passed through these yards, and that is all we were interested in.

The broker who was buying this stock up of the old, the original Chicago Stockyards Co. wrote to a stockholder and said—and he was buying the stock which later turned up in the collection of stock which we traced down through those transactions, so that at least he was acting for Armour, apparently—and this broker said, "This Maine corporation which is to guarantee the stock will be controlled

by the packers"—plural. And we find "packers and packers" mentioned through this correspondence.

Mr. SANDERS. Is it not a reasonable assumption, then, that they owned the warrants?

Mr. COLVER. Yes. But up to now we have not brought assumptions to this committee, and we have not brought suspicions here.

Mr. SANDERS. That is what I am getting at.

Mr. COLVER. And we have not even brought conclusions.

Mr. SANDERS. If you wanted to find out who owned the warrants, why did you not summon the men as to whom the suspicions pointed and question them under oath as to whether they owned them? You stated you made every effort to find the ownership of these warrants as the most direct method of finding the ownership of this stock.

Mr. COLVER. Assuming that we had wanted or had felt that we had the time and that it was essential and necessary to run down further this stock-warrant ownership, of course, we might have followed your suggestion.

With respect to all these joint schedules, we sent for their stock ownership of all sorts, covering such items as this. Those schedules so sent out by the Federal Trade Commission are in and of themselves equivalent to sworn statements. So that is about the same as putting them under oath. Mr. Armour's statement when returned did not have these warrants on it. The other returns likewise did not have any accounting on these warrants at all on them.

We might have gone further, but, as I say, it did not seem to be the thing we were after. We were trying to show you what the operation of these yards are, what the earnings of the yards are, what the interrelation of the yards are, too, and how the ownership of the yards has been and can be used, not so much the individual ownership at that time. The commission had no brief against any man; the commission had no brief against any company; it was not trying to prove anything.

So much for this three-story company.

JERSEY CITY STOCK YARDS CO. AND THE RAILROADS.

The outstanding stock of the Jersey City Stockyards Co. is $500,000. These yards are leased from the Pennsylvania Railroad and are controlled by J. Ogden Armour holding 63.33 per cent and Swift & Co. owning 18 per cent. The company started operations in February, 1913, and did business for six months before any capital stock was paid in; that is, any money was paid in. At that time the earnings had amounted to enough to pay a dividend of $42,000. Then $58,000 additional was paid in for stock, and so far as can be found this is the only amount that was ever paid into that company. Of the 5,000 shares issued at the par value of $100 the share, making a total issue of $500,000, only $100,000 was issued for [illegible] and [illegible] $100,000. $42,000 may be fairly considered as a stock dividend, inasmuch as the $42,000 was earned before anything was paid in, and so that a stockholder without paying anything in would become a pro rata owner of the $42,000 in cash. That seems to me clear. The balance, $400,000, represents no investment whatever.

Now, we are only following the statement "that in order to develop these yards and make them efficient it has been necessary at

great expense and great sacrifice for the packers to take them over "—that is the statement that I read to you in the beginning, and that is what we are examining and keeping in mind.

Of the $296,900 of capital stock owned by the Armour interests in the Jersey City Stockyards Co., the initial cash investment was $59,380. But before this amount was paid in, the dividend of $24,780 was paid to the Armour Co. or the Armour interests. The net earnings of the plant from February 12, 1913, to December 31, 1916 —when our investigation ended with respect to this company—four years, was $594,764.14.

During these years dividends amounting to $342,000 were paid to the stockholders. Of this amount the Armour interests received $203,148, and that was $143,768 more than the total investment—and that was in four years——

The CHAIRMAN. Are you through with that particular yard—that is, have you finished your statement about that particular yard?

Mr. COLVER. That particular yard?

The CHAIRMAN. Yes. If so, I want to ask you a question.

Mr. COLVER. I have finished with that.

The CHAIRMAN. You say that this stockyards company leased these stockyards from the Pennsylvania Railroad Co.?

Mr. COLVER. Yes.

The CHAIRMAN. When were they leased?

Mr. COLVER. February, 1913.

The CHAIRMAN. Do you know what the Pennsylvania Railroad Co. received as a rental for those yards?

Mr. COLVER. Yes.

The CHAIRMAN. I want to know what it is?

Mr. COLVER. That is an interesting thing. I think an indictment has come out of that transaction.

The CHAIRMAN. I did not know anything about that. I want to know what the company gets for leasing its own facilities out that way to a private corporation.

Mr. COLVER. The rental paid to the Pennsylvania Railroad under this lease is $25,000 a year.

The CHAIRMAN. Do you know how long the railroad company has owned yards before, and whether the railroad company built the yards themselves?

Mr. COLVER. They were railroad-owned yards, yes.

The CHAIRMAN. What is the reason given, if you know, why the Pennsylvania Railroad Co. leased the yards instead of continuing to operate them—the railroad is itself a public utility?

Mr. COLVER. Something like the case of the Katy yards down in Hodge, Tex.

The CHAIRMAN. Well, we want the truth, the facts. This is absolutely pertinent to this examination.

Mr. COLVER. Well, the Armour people approached Mr. McCabe, the third vice president of the Pennsylvania Railroad Co., by addressing a letter to him at Pittsburgh, the letter being written by Mr. Allerton, of the Armour stockyards interests, from Pasadena, Cal., and that letter bears on the progress made in securing the interest of Armour & Co. in the Jersey City yards.

The CHAIRMAN. What is the date of that letter?

Mr. COLVER. That is January 13, 1913. I have not the full letter with me, but I have an abstract and I can bring the entire letter. We have it if you want it.

The CHAIRMAN. You can put the entire letter in your hearing.

(The letter referred to was subsequently furnished by Mr. Colver and is here printed in full, as follows:)

SOUTH PASADENA, CAL., *January 13, 1912.*

Mr. D. T. MCCABE,
Third Vice President Pa. Co., Pittsburgh, Pa.

MY DEAR MCCABE: I have just received a statement from Mr. Oliver showing that we were three thousand cars short on the Pa. & Fort Wayne R. R. and about fifteen hundred cars on the P. C. & St. L. R. R. out of Chicago. We have made a big increase in our local business, but we are short out of Chicago 4,500 cars. The through cattle that are shipped out of Chicago are shipped mostly by S. & S. United Dressed Beef Co. and the New York Butchers' Association, and Ed. Marse, who bought out Stearns, who used to ship with us about 4,000 cars per year. The New York Central tried to get him away from us, but they could not do so, until they got Marse to buy him out.

No man can ship cattle from Chicago to New York unless he has an abattoir.

We have to ship a few cattle in February to our butchers. We always expect to lose about $20 per car.

Now, the real question is how are we going to make up this shortage. There is but one way to do it, and that is to get Armour in Jersey City, and then we will get the New York Butchers' Association's cattle which will put us in good shape and I feel sure then we will maintain our percentage for years to come.

I think next spring I can get Armour to take hold of Jersey City; our people want him, but the trouble is that it will cost one and one-half million dollars to build an abattoir at Jersey City, and our people do not like to advance the money, and Armour does not like to put the money out on leased ground, but I think I could make an arrangement with Armour to lease the ground for the abattoir, and he build the abattoir, and the Pa. Railroad would take it off his hands at the end of the lease with two per cent depreciation, and I think our people would have to lend him about one-half of the money to build it.

Legally, he could not lease the grounds, but I could arrange with him to lease the ground and sell him most of the stock.

The lease of Jersey City runs out one year from next February, and it would probably take one year to build the abattoir.

Now, I think that when you are in Philadelphia you ought to take this matter up with Mr. Thayer, because this is the only way we can increase our shipments out of Chicago.

I hope you and your family are all well. I never was better in my life than I am this winter.

Yours, truly,

S. W. ALLERTON.

The CHAIRMAN. Was that a railroad official writing to a packer?

Mr. COLVER. That is an Armor official writing to the third vice president of the Pennsylvania Railroad Co.

The CHAIRMAN. All right; let us have it.

Mr. COLVER. I am corrected—Mr. Allerton is not an Armour official. He is interested with the Armour interests in similar ventures, and when Allerton came into this thing at the finish Armour came with him and the Swift people came with him. But he is not an officer of the Armour Co.

The CHAIRMAN. Well, he wrote on behalf of the packers to the official of the railroad company; that is all that is important?

Mr. COLVER. Oh, yes; because he speaks of the progress in securing the interests of the Armour Co.

The CHAIRMAN. Read what your notes show he said.

Mr. COLVER. I will. He said that the proposal of Morris & Co.—the other packers—to lease these yards should not be considered;

that their possible intentions would not be to the benefit of the Pennsylvania Railroad, and that if Armour & Co. came in it would be very probable that they could secure the interests of Swift & Co. also.

On April 28, 1913, a letter was written to Mr. Dixon, of the Pennsylvania Railroad, by Arthur Meeker, vice president of Armour & Co. He says that Swift & Co. have decided not to enter the deal.

The CHAIRMAN. That is in the purchase of the yards?

Mr. COLVER. In the leasing of the yards, "and that they must have made some very favorable arrangement with the Lehigh Valley, just the nature of it I do not know. We offered them a 30 per cent interest in the yard."

That is, the Jersey City yards.

"Which is practically what we would have had had they accepted it, and that seemed to be satisfactory to them."

Not to stop very long, you see there is a curious expression, that one of these companies must have made a very favorable arrangement with another railroad, with the Lehigh Valley. Those favorable arrangements must have been more favorable with the Lehigh than getting control or getting a large stock interest in a company which was going to lease the Jersey City yards at a very low rental, and those yards had and continued to yield very, very comfortable dividends on the money paid into the company which acquired control of them. As Mr. Murdock said the other day, there are rebates and rebates.

The CHAIRMAN. Have you any evidence of what the yards earned for the Pennsylvania Railroad Co. before it turned them over? I want to see what it received in earnings before it leased them.

Mr. COLVER. I think we have what we call a five-year schedule, and if we have that would carry us back to 1911, 1912, and 1913 earnings, and this transfer took place in 1913.

The CHAIRMAN. If you have anything in your possession that will show what the Pennsylvania Railroad received in the way of earnings from the stockyards before leasing them to the packing company, I would be very glad if you will put it in your hearings with your comments.

Mr. COLVER. May I say, then, in correcting this record, that "this is inserted at this place"?

The CHAIRMAN. Certainly.

(The data referred to was subsequently furnished by Mr. Colver and is here printed in full, as follows:

ADDITIONAL DATA ON JERSEY CITY STOCKYARDS.

The Jersey City Stockyards was first organized February 27, 1873, and a lease was secured for the property and yards from the Pennsylvania Railroad Co. for a period of 30 years. Samuel W. Allerton and George W. Gregory were the original lessees. On February 12, 1903, the lease was renewed for a period of 10 years, and at that time was signed by J. S. McFadyen, president, and attested by J. L. Bonham, secretary.

Before the expiration of this second lease Mr. Allerton was apparently dissatisfied with the amount of business being done by the yards and conceived the scheme of inducing Armour & Co. and, if possible, Swift & Co., to become affiliated with the yards in order to increase the business of the company by the amount of stock that could be shipped through to the East by these two packers.

Morris & Co., owning the yards at Sixtieth Street, had a practical monopoly at this time in the stockyards on Manhattan Island. At the same time Mr.

Organization and operation of the Jersey City Stockyards Co.—The officers and directors are R. C. Bonham, president; Leo S. Harvey, secretary; and Herbert L. Hersey, treasurer.

The stockholders are:

	Shares.
R. C. Bonham, Ridgewood, N. J	200
R. C. Bonham, trustee, Ridgewood, N. J	2,969
Kate A. Johnstone, Chicago, Ill	500
H. A. Chetham, Chicago, Ill	900
Ira F. Brainard, Pittsburgh, Pa	325
Thomas A. Hughes, Jersey City, N. J	100
Leo S. Harvey, Jersey City, N. J	3
L. H. Hersey, Jersey City, N. J	3
Total	5,000

Extent of Armour and Swift control.—Two thousand nine hundred and sixty-nine shares are held in trust for J. Ogden Armour by R. C. Bonham, and 200 shares are held by R. C. Bonham, the voting power of which may be considered as controlled by Armour & Co. The 500 shares held by Kate Allerton Johnstone may be assumed to combine with the Armour interests, because of close association between Armour & Co. and the Allertons. These 3,669 shares are 73.38 per cent of the total stock.

Nine hundred shares are held by H. A. Chetham for the benefit of Swift & Co., which gives it an 18 per cent interest in the company.

The combined interest, therefore, of Armour & Co. and Swift & Co. amounts to 91.38 per cent.

Three hundred and twenty-five shares are held by Ira F. Brainard, half for his own interest and half for his brother, Frank, who is in some way connected with the Western Stockyards Co. of New York City.

Apparently the only interest held by the Jersey City Stockyards Co. in any other company is a personal investment of R. C. Bonham, who holds stock in the Western Stockyards Co. of New York City.

Mr. Colver. The Pennsylvania Railroad did not operate the yards before. Mr. Allerton operated the yards and his lease was about to expire. He wanted to renew his lease with the Pennsylvania Railroad Co. The consideration was talked of as $25,000 a year. Another concern offered $50,000 a year. Allerton then, writing from Pasadena, said that he was interesting the Armour people in coming in with him, and the Armour people in turn said that they had tried or had offered the Swift people to come in, too.

Without stopping to go through these successive stages of this correspondence, what finally happened was that Swift & Co. and Armour did go with Allerton, and the lease was renewed at this price.

The Chairman. $25,000?

Mr. Colver. $25,000.

The Chairman. Who offered him $50,000?

Mr. Colver. That was Morris & Co.

The Chairman. Another packer?

Mr. Colver. Yes.

The Chairman. And the Pennsylvania Railroad turned down a $50,000 offer per annum for rental and accepted $25,000?

Mr. Colver. Yes.

Mr. Esch. Does that show any competition between packers?

Mr. Colver. I want to answer that. Does that show any competition between these five packers?

Mr. Esch. Yes.

The Chairman. Competing for the yards?

Mr. Colver. I do not think so. What we said to you from the beginning, and say to you now, is that the competition, the control of

this business, and where the competition disappears, is by the division, the constant division of the purchase of live animals, and that that demarks the relative size of the operations of the five companies.

Now, of course, there is competition of this sort: If in the various steps Morris can have more cattle pass through his yards and pay toll to him than Armour can have pass through his yards and pay toll to him, that is competition in profit. But it does not disturb at all the divisions of the purchases, and that is the competition we are talking about. I do not know whether that is clear, but the competition we are talking about is that which limits the purchase of live stock from the producers.

The CHAIRMAN. You mean the absence of competition in the purchase?

Mr. COLVER. Yes.

The CHAIRMAN. You spoke of "competition" when you meant the reverse.

Mr. COLVER. I suppose that is because I have adopted Mr. Esch's question, and I am talking from it. It is a mistake; I should say "absence."

Mr. COOPER. May I ask what the Pennsylvania Railroad built these yards for, in the first place?

Mr. COLVER. What they built them for?

Mr. COOPER. Yes. You say they leased them to the packers. What object had the Pennsylvania Railroad in building these yards, in the first place?

Mr. COLVER. They built them to handle the live animals which passed over their road as freight; built them in the nature of a freight house, I should say.

The CHAIRMAN. Just like a depot or any other terminal facility.

Mr. COOPER. As a terminal facility for the switching of cars?

Mr. COLVER. Certainly; and they cared for the feeding, watering, and marketing of the live stock.

Mr. COOPER. Was it the purpose to take care of Armour, Swift, or some special packing concern when they built those yards?

Mr. COLVER. I do not know. I have always thought that those things were built to take care of the people who shipped the stuff in; that is, the producers, the owners of the stuff.

Mr. COOPER. The point I am trying to make, by leasing this yard——

Mr. COLVER. To Armour, Swift, and Allerton?

Mr. COOPER. Did that interfere at all with the public, as far as transportation facilities were concerned?

Mr. COLVER. Yes.

Mr. COOPER. That is what I would like to know, if you have that information. Would that take away from the public some of the facilities that this transportation company really ought to have given to the public?

Mr. COLVER. Yes.

The CHAIRMAN. What had Allerton been paying—if you can answer there without stopping—before this renewal?

Mr. COLVER. The same rental—I think $25,000.

To answer Mr. Cooper's question, if it is agreeable, I will skip the order here and come to the effect of the passing of a stockyards into the hands of one or two or more of these packers, and I will answer it

generally and that will answer your specific question, and I can do it very easily by just simply rearranging the order of what I am saying, and it is really the last part of all this situation we were leading up to this morning, but we will skip the other matter we have here and come right to that.

EFFECT OF STOCKYARDS CONTROL ON PRODUCERS AND ON INDEPENDENT PACKERS.

The stockyards contain and control all the facilities and functions that are the necessary adjuncts and collateral activities of a live-stock market. Among these are the terminal and switching facilities; the exchange building in which commission men and others rent their offices and which is the headquarters of practically all market management; the yards and pens and all yarding assignments and services; all weighing facilities and services; the feeding of live stock—in fact, all the facilities and services through which live stock must be handled and sold. Those who control these market centers and govern all these market paraphernalia and processes are also in possession of confidential shipping and marketing information.

Ownership of stockyards has materially aided the big packers to control the markets in the interest of the buyers—themselves—as against the interests of the sellers—the producers—and also as against the interests of some of the independent packers.

Mr. COOPER. May I interrupt you there?

Mr. COLVER. Yes.

Mr. COOPER. In what way does the ownership of those terminal facilities or stockyards become important to the public?

Mr. COLVER. I am coming to it just as fast as I can—I beg your pardon.

The producers of these animals say that the live-stock markets should be open, free, and competitive markets.

Control of the stockyards has been an important factor in enabling the big pakers to effectively reduce independent competition, and in some cases eliminate it.

ELIMINATION HURNI PACKING CO.

One independent packing company absorbed by the big packers in 1917 was the Hurni Co., of Sioux City.

Now, here is where the public comes in. In Sioux City there was an old Swiss who had come to that town years and years ago. He started out by going to the stockyards and buying the crippled pigs; the pigs that had been hurt in shipment but were not dead, and taking them to his little house or shop, or a place in the back of the lot and killing them, dressing them, and preparing that pork and peddling it around.

From that wheelbarrow beginning he kept on increasing his business until finally he owned a fine little packing plant right in the yards; that is to say, he got a piece of land, built a packing house on it, and when the yards had to grow [illegible] the development of the market forced a growth of the yards the [illegible]

River was on one side and a creek was on the other side at an angle, and the yards were up against the two waterways, and this chap was behind them, so they grew around him, and the yards encircled his plant, and he had a pretty good sized plant.

Now, the public was interested in this way: The public of Sioux City, let us say—the public of Sioux City was interested to see this old chap, who had started in with a wheelbarrow and who had built up a fine, successful business, rewarded, I think, for his contribution to the growth of Sioux City. Also he fixed his own prices. He was a factor in determining the price of the meat that the Sioux City people ate. He was independent. He was a Swiss. I guess he must have been from the mountains instead of the valleys of Switzerland; but anyway, he was an independent, and he stuck on there for years.

The public was interested, then, I think, in the development in that western community of a big business out of a small one. It was interested because the development of that business developed the town. It was interested because the development of that business furnished competition in a basic food commodity. It was interested because the development of that business furnished another market for growers of stock to bring material in and get their money, and spend their money with the merchants of Sioux City. There, I think, to a degree, was a public interest in that yard.

Mr. HAMILTON. Mr. Colver, may I ask you a pertinent question right there?

Mr. COLVER. Yes.

Mr. HAMILTON. Was there competition between this Swiss and the packers as to prices locally; or did he cooperate, and was there an understanding as to prices?

Mr. COLVER. There was competition to this extent, that his competitors tried to put him out of business by every method there was, including cutting prices. Yes; there was competition.

Mr. HAMILTON. Repeat that, please. I did not catch it exactly.

Mr. COLVER. I say, there was competition to this extent: That his competitors, the packer companies, tried to put him out of business for years by every device, including price wars.

Mr. HAMILTON. Then there was competition.

Mr. COLVER. There was competition up to the time he gave up the ghost. He is going to give up the ghost shortly.

Mr. HAMILTON. The consumer in that case had the benefit of the competition?

The CHAIRMAN. Yes.

Mr. COLVER. The consumer in that case has the benefit now of having seen that industry wiped out.

Mr. HAMILTON. No; I said before that time. Before it passed over into the hands of the big packers the public or the consumers had the benefit of the competition.

Mr. COLVER. Exactly; just as the seller of munitions has the benefit of a war. It is profitable while it is going on and until somebody gets killed. I can not call it benefit, Mr. Hamilton. I can not adopt your word.

Mr. HAMILTON. I do not understand you, then. Competition has always seemed to me to be a benefit to the consumer. If you and I

cooperate and fix the price, we are arbitrarily controlling the price to the consumer.

Mr. COLVER. Yes.

Mr. HAMILTON. If you are bigger than I am and absorb me, then you fix the price and the consumer has to pay what you fix as the price.

Mr. COLVER. Yes.

Mr. HAMILTON. That is what I was trying to get at in this case.

Mr. COLVER. Yes; but the competition which puts me out of business and later lets you fix the price forever is not a benefit to the consumer, because——

Mr. HAMILTON (interposing). Precisely not; and that is exactly what I have been trying to demonstrate.

Mr. COLVER. That is why I did not like to accept your word "benefit."

Mr. HAMILTON. As long as it existed it was a benefit. It is one of the evils of present conditions, as I understand, that competition has been largely done away with. That was what I was trying to get at.

The CHAIRMAN. Proceed, Mr. Colver. We want to go ahead.

Mr. HAMILTON. We do not want to go ahead too fast. He did not understand me.

The CHAIRMAN. We do not know yet that the old man ever sold out.

Mr. HAMILTON. He is coming to that point. It is perfectly clear what is going to happen to that old man.

Mr. MURDOCK. You can see his funeral.

Mr. HAMILTON. I can see his funeral now.

Mr. COLVER. Now, let us drop the wreaths on this poor old chap. One big independent packing company absorbed by the big packers in 1917 was the R. Hurni Co., of Sioux City. This property was sold to the Sioux City Stock Yards Co., controlled by Swift, which——

The CHAIRMAN (interposing). Is the company you are referring to now the company that was owned by this old Swiss?

Mr. COLVER. Yes; this is the old Swiss, Hurni.

The CHAIRMAN. Heretofore you have called him the old Swiss and nothing else?

Mr. COLVER. I said he was an old Swiss, because he was from Switzerland.

The CHAIRMAN. But did you not give his name?

Mr. COLVER. Mr. Hurni was the name of this old Swiss.

The CHAIRMAN. The old Swiss and the company they absorbed are the same thing.

Mr. COLVER. Yes; this property was sold to the Sioux City Stock Yards Co., controlled by Swift, which company in turn leased the property to Swift & Co. The Hurni Co. in 1917——

Mr. COOPER (interposing). Did this company have to sell out?

Mr. COLVER. We are coming to that.

The Hurni Co. in 1916 had an average kill per week of 172 cattle, 37 calves, and 200 hogs, and shipped about 300 cars of dressed beef per year in interstate commerce.

The stockyards company tried to get the Hurni plant for many years. It adjoins the stockyards and by cutting a gate from the alley to the Hurni property, Hurni's cattle and hogs could have been delivered direct to his plant from the yards.

We have a picture of that, which is interesting, and I wish it were here.

The CHAIRMAN. You can put it in your hearings, if you will.

Mr. COLVER. I will try to explain it without the picture if I can.

But the stockyards company refused to allow the gates to be put in. Consequently the Hurni live stock purchased had to be driven from beyond the extra buildings and through Chambers Street, one of the most congested streets of the city, several blocks to the Hurni plant.

Now, let us see. Here [indicating] were the stockyards and here is the Missouri River, and here is this street, with this old gentleman and his packing house here [indicating]. The stockyards were over here [indicating]. They had to grow, so they grew around in this way [indicating] until the stockyards were here and this plant was right in here [indicating]. The exchange building was here [indicating], and he bought the stock at the exchange building; and here [indicating] were the pens and here were the roadways, and he asked them to cut a gate here [indicating], so that when he bought his animals he could deliver them into his yards.

The CHAIRMAN. Through the gate?

Mr. COLVER. Through the gate. For years he asked it, but it was never granted; so he had to come out here [indicating] into a city street, with street cars on it—a crowded city street, and drive around from a gate over here [indicating].

Mr. DILLON. When you say "coming out here" and "going out there," that does not mean anything unless you put in a plat.

Mr. COLVER. I was trying to indicate the situation of this yard.

Mr. MURDOCK. But that would not show in the record.

Mr. COLVER. It will not show in the record, of course.

Mr. DILLON. That is what I meant.

Mr. COLVER. He asked for years that this gate be cut through from his place into the yards where he bought his stuff.

Mr. HAMILTON. In other words, they had him in a pocket.

Mr. COLVER. Yes.

Mr. SANDERS. Can you not explain the whole thing by saying that since the Swifts have bought it the gate has been put there?

Mr. COLVER. Yes; and more.

Mr. SANDERS. Since the same interests that own the stockyards have acquired the plant they have put the gate there?

Mr. COLVER. Yes. The day after the stockyards company acquired the plant the gate was put in and thereafter stock was received direct at the plant.

The CHAIRMAN. A competing stockyards, as I understand, owned land and had control of putting in the gate and refused it?

Mr. COLVER. This stockyards, you know, was owned by Swift & Co., and he was their competitor.

The CHAIRMAN. He was their competitor and they would not let him have the gate, which made it very inconvenient and less profitable for him to operate his business.

Mr. COLVER. Yes, that is right. I am trying now to get to where the public is interested in the thing. Mr. Hurni tried for five years prior to the sale of his plant to get some sort of switching track that would enable him to load meat at his plant. He had to haul this product through the streets to connect with the switching track of the Terminal Railroad Co. at a cost, stated by his attorney, of $30

per car. That figure is not verified, and I do not adopt it; but it is given by a man who says he knows. I mean we have not had an expert accountant to figure it out at $30 a car; and that involved the taking of dressed meat from Hurni's plant, putting it on wagons, which had to be maintained—either wagons or automobiles—and involved the upkeep of the vehicle and of either the motors or the horses that hauled the product and crews for loading the meat and driving the wagon or driving the automobile, and that is estimated at $30 per car. I do not mean estimated, but testified to before the commission at $30, which is a figure that was not established by bookkeeping, because there was not any bookkeeping there.

The stockyards company always refused permission for the construction of the tracks, but after the plant was sold to the stockyards company the track was put in.

Now, here is a public interest:

It was necessary, in order to have the tracks, for the city council to grant a franchise authorizing the construction of a track across Chambers Street. The Hurni people appeared before the city council several times to support the request for the franchise. The manager, superintendent, and general counsel of the stockyards company appeared also and opposed the granting of the franchise, and their views prevailed.

Within 10 days after the sale of the Hurni plant to the stockyards company these same officials appeared before the council to request the same franchise which they had previously opposed. The council passed it this time, and the track was put in.

I think there is some public interest in that; that is, if the public out there are interested in their council.

Mr. COOPER. I think it was time for the public to get busy with that council.

Mr. COLVER. Well, maybe they did not know it.

Mr. SWEET. Now, there is another independent concern at Sioux City—the Statter Co. Is that in existence now?

Mr. COLVER. That is relatively a much smaller concern than this. It is still in existence.

Mr. SWEET. That is an independent concern, too, is it not?

Mr. COLVER. Yes. His plant is not so extremely advantageously located as Hurni's was, where the stockyards grew right around it; but the Statter people, in turn, have been seeking and seek switching facilities and have not gotten them. He did not even ask for a switch; he just asked for a lane so he could drive his stock a shorter route out of another side of the yards, driving them along a lane along the river, and he can not get that; that is, this other concern you speak of, which is a smaller concern. I do not know the merits of his not getting it at all, or whether he should have it or should not. In this other case it seems this gate and the switching track were good things—perhaps too good a thing—for some people to have.

Mr. COOPER. In reference to this company that was absorbed by the Swift Co., which you just spoke about, do you know what the consideration was when they sold out to Swift? Did they get a pretty good price for their institution—that is, did they stand to lose anything in having to sell, or did they make something on the transaction?

Mr. COLVER. The sale took place and the old Swiss, Hurni, died two weeks later. His advancing years may have had an influence. The price that was paid was an agreed price, and I can not tell you what the price was.

Mr. COOPER. They probably then received some benefit from the sale of the plant.

Mr. COLVER. The old man?

Mr. COOPER. Yes.

Mr. COLVER. Undoubtedly. He was paid for his place; and let us assume he was paid a fair value for his packing house without the switching track and without a gate into the yard, the live stock for which had to be driven down a street with car tracks and street cars. Those were among the elements that went into the property that was sold.

Mr. COOPER. Do you think there was anything unfair in the Swift Co. trying to absorb this property if they paid him his price for it?

The CHAIRMAN. We are now talking about the public interest.

Mr. COOPER. But the Swift Co. is involved in this public question here. Suppose you and I had the property and we were offered a good price for it. If we thought we could make something we might sell.

Mr. COLVER. Yes.

Mr. COOPER. Was there anything unfair in the Swift Co. trying to get this property?

Mr. COLVER. In the first place, of course, we must not say that the Swift Co. got it. We must not say that, because if we did we would have a breach of the law. No; the Swift Co. did not absorb this plant.

Mr. COOPER. I understood so.

Mr. COLVER. Oh, no; the stockyards company bought the place from Hurni, the stockyards company being a stockyards company and not a packing house, and therefore a competitor did not buy a competitor. Then the stockyards company leased it to Swift, who was a packer, so it is quite evident that the packer did not absorb his competitor. That is, perhaps, a compliance with the letter of the law.

Mr. DOREMUS. I have gathered from your remarks, Mr. Colver, that this operator, this independent operator, was forced to sell by reason of the competition that preceded the sale; is that true?

Mr. COLVER. It is difficult, of course, to say now that that dead man reached a point where he was forced. He finally gave up the fight. He had asked for reasonable things. He had asked for reasonable facilities. These two instances we have given you are only two instances of the row the old man was hoeing there.

Mr. SANDERS. Is it not reasonable to presume that if he could have gotten switching-track facilities and a gate and everything of that kind he would not have sold?

Mr. COLVER. I would think so. I think if he was there on even terms with anybody else, that they would still be in existence as an independent plant. I think that is reasonable to presume.

Mr. SANDERS. Then it is reasonable to presume that measures were adopted to force a sale and that it was forced.

Mr. COLVER. I think so.

Mr. DOREMUS. I understood you to say he was subjected to unfair competition by virtue of price cutting, among other things?

Mr. COLVER. If I said "unfair," I thought I said the severest of competition, hostile competition.

Mr. DOREMUS. Including the cutting of prices.

Mr. COLVER. Yes.

Mr. DOREMUS. That all bears on the question and answer to Mr. Cooper as to whether there was a square deal all around.

Mr. COLVER. Yes.

The CHAIRMAN. Let me get straight on it, myself. Was it competition in his use of the yards by the yard company or was it competition in meat products sold by this packer and the other packers in competition with him?

Mr. COLVER. Yes; the latter.

The CHAIRMAN. Then, the stockyards company was not per se selling dressed meat?

Mr. COLVER. No; the competition lay, as you say, between the packers and this old packer, and the yard, which was the medium at least of some of the difficulties that this old man met with, was not in competition with him. It was just owned by the people who were in competition with him; that is all.

Mr. SANDERS. In the language of the street, he got the worst of it from both sides, did he not? He was crowded out? The stockyards would not give him any facilities, and his competitors who were selling meat were trying to sell under him and drive him out of business.

Mr. HAMILTON. It is a clear case of "freeze out," is it not? It was apparent from the outset that it was, and that the more difficult they made it for the old man the cheaper they could buy him out eventually.

Mr. SANDERS. Of course.

Mr. HAMILTON. It is a very simple proposition and as old as human nature, unfortunately.

Mr. COLVER. Yes; it is like Naboth's vineyard. I have never figured just how they got him to sell out, but it was something like that.

T. M. SINCLAIR & CO.

Mr. SWEET. In this connection, we also have the Sinclair Packing Co. at Cedar Rapids, which originally was an independent concern. Can you give us any facts in connection with that concern, showing how it was finally absorbed or controlled?

Mr. COLVER. May we pass that until we see whether we have the Cedar Rapids papers here?

Mr. SANDERS. You can assume it was treated in the same way.

Mr. SWEET. No; it was not treated just in the same way, because they endeavored to get control of the stock by purchasing the stock; and, as I understand it, the company continued to act under the name of the Sinclair Co., ostensibly as an independent company, when in fact it was controlled by Wilson & Co.

Mr. SANDERS. I would say that is practically the same treatment, whether you get rid of a competitor by killing him or buying him.

Mr. SWEET. As a matter of fact, I would like to have those facts developed. (Matter subsequently furnished by Mr. Colver, p. 210.)

Mr. Colver. Now, Mr. Cooper asked me what the effect of this ownership is, and what the objection to this sort of ownership is. and there are perhaps only two more things that can be said on the effect that this ownership has.

Mr. Cooper. The reason I asked the question was because I believe in fair competition, and it is information purely that I am seeking in asking the question.

Mr. Colver. Yes; and that is why I said, when I postponed your question, that I felt sure we would cover your whole question in this development, and I am letting you know now that I am trying to answer the question, and when we get through, if I have not satisfied your question, I am going to try it again; that is all.

Mr. Hamilton. Mr. Colver, I assume you are going to cover this point before you finish. I suppose it is axiomatic that the more capital there is behind a business the cheaper each unit of production can be produced. In the course of your statement, will you develop whether the tremendous financial strength of these packers has tended to cheapen the various units of production, or whether they have so manipulated that they have controlled prices against the interests of the consumer. It strikes me that is one of the very important elements in this matter.

Mr. Colver. Yes; I would think that would perhaps come under a discussion of that subject; that is, the price subject and tendency rather than under this stockyards question.

Mr. Hamilton. Then you will reach that question before you get through and elaborate on it?

Mr. Colver. I hope so.

The Chairman. How much do you lack of being through presenting the stockyards statement?

Mr. Colver. Just a few more words as to the effect of this ownership, such as we found in Jersey City, the passing of the ownership, such as we found in Chicago, and such as we found in 33 places in the country covering 83 per cent of the live stock sold in all stockyards in the country, or passing through all stockyards in the country.

EFFECT OF STOCKYARDS CONTROL ON COMMISSION MEN.

The stockyards contain all the yard facilities employed by the livestock commission men who act as the selling agents of the producers, who I take it are part of the public, and represent some public interest, and who would seem to be better able to serve their clients if they could be independent of the buying interests.

The commission men rent their offices of those who control the yards, and are beholden to these interests for the assignment of pens and the furnishing of other market facilities.

Mr. Cooper. Just on that point: Am I to understand, then, that the fact that Armour controls this terminal stockyards in New Jersey, I believe you said it was——

Mr. Colver. Jersey City.

Mr. Cooper (continuing). That they are the only packing company that go into that vicinity; is that true?

Mr. Colver. No; of course, Swift was with them.

Mr. COOPER. Well, suppose Armour was the only one. That would mean that the commission merchants there would have to buy the Armour product; is that correct?

Mr. COLVER. Let us see if we can not give you a direct answer to that question that will probably answer the whole question.

Summarizing sworn testimony in a public hearing in St. Paul on August 17, 1917, this incident occurred, as showing the effect of such ownership in the relation that you have just asked, I think.

A Mr. Dickey, a buyer for an independent packing company in St. Paul, testified that he, in company with a Mr. Fosness, who is one of the principal owners of Hinman & Co., the independent concern, in whose employ Mr. Dickey was, went to one of the pens of Bangs, Berry & Co., commission men, and bought three steers at 7½ cents. Just after the trade had been closed Swift's buyer came along and bid the same price. Whereupon Bangs, Berry & Co. refused to deliver to Hinman who had bought these animals and had the steers driven to the Swift plant. When Mr. Dickey remonstrated, it was considered sufficient answer to say, "Oh, well, you see, Swift wanted them." Mr. Bangs, of this firm of commission men, is the son of John Bangs, Swift's manager in St. Paul.

The answer generally, instead of specifically, as in citing that case—the control of the yards, the control of the market places, the control of the facilities and the offices gives the advantage, because, as I just said, the commission man, who is the agent of the producer, of the live-stock raiser, is himself beholden to the owner of the yards for the facilities that are at his disposal. His transactions can be facilitated or can be hindered, and, not to detain you here to read how efforts have been made successfully to get commission men back in line, and it is not difficult when the ownership of the yards and the place where they transact their business, and most of the yards and places where they transact their business are in the hands of the man who wants to get them in line——

Mr. HAMILTON (interposing). Mr. Colver, I do not know that it is very important, and yet as I have been thinking over this Sioux City illustration I have been wondering just why Swift & Co. did not kill off the old man sooner by paying better prices for stock on the hoof than the old man could pay, and thereby shut him out. Have you any information in relation to that? It seems to me the process might have been shortened. The fact is as they finally managed it they made it inconvenient for him and finally took over his business and paid him a price for it in harmony with the impaired conditions imposed upon him. But they could have gotten rid of him sooner?

Mr. COLVER. Oh, yes. But when you state a problem like that we have to "stop, look, and listen" and see what you start when you do a thing like that. To do it as you suggest might not be unlike using a 16-inch gun to kill a mosquito.

Mr. HAMILTON. Or using a paving stone to kill a fly.

Mr. COLVER. The finish of the old Sioux City man was inevitable; it was only a matter of time. Now, why do anything to put the whole Sioux City market out of line to head off his few head of cattle or make it difficult for him to get his few head of cattle and have thereby the neighboring markets of Omaha all topsy-turvy because Sioux City was out of line and have the unrest transmitted

onto Kansas City and have them fussing there? Have I gone far enough?

Mr. HAMILTON. I think that is altogether plain.

Mr. COLVER. I could go on.

The CHAIRMAN. If he is dead, is there any need of mentioning how he came to die?

Mr. COLVER. His finish was inevitable, and why invoke greater measures than were necessary?

Mr. HAMILTON. In other words it would have put Sioux City out of joint with the general system?

Mr. COLVER. Yes.

Mr. HAMILTON. And the general system was being controlled by the packers?

Mr. COLVER. Yes.

Mr. SANDERS. Would it not have done this: If Sioux City had gone out and purchased all of the beef so that Hurni could not have gotten any, would it not have attracted a great deal of attention to the packers?

Mr. MURDOCK. Sure; if they had done that it would have excited public attention and clamor.

Mr. COLVER. So that, instead of killing Hurni off, as you suggest, he died an accelerated natural death.

The CHAIRMAN. We are taking up a good deal of time with this old Swiss.

Mr. SANDERS. It is not lost time; this is very interesting and important.

Mr. COLVER. I was coming to that; and the only thing I had in mind was, having apparently ignored your question so long, that all I have been saying has been running generally to a reply to your question. I said when I got through I wanted to ask you if your question was satisfactorily answered, Mr. Cooper.

Mr. COOPER. I feel very well satisfied with your answer, so I do not care to detain you any more along that line.

PACKER CONTROL OF YARDS NOT IN PUBLIC INTEREST.

Mr. COLVER. If it is not clear—and your question went to this only, as I take it: You wanted me to chart out and make definite what is the objection to the ownership or control of these stockyards by these five packers, or one or more of them, and I was trying to answer that the public interest was not served, but was disserved; that the producers, not regarded as a part of the public but regarded in their adverse interests as producers, were not served; and I tried to throw in the thought there that the stockyards were not necessarily for the benefit of the buyer, but for the shipper. It is a curious thing that we are always taught to think that the stockyards are only maintained for the benefit of the buyer. The shipper certainly has some interest in the operation of the stockyards.

So that neither the public, then, nor the producer is served, but, on the contrary, is disserved. Then the agent of the producer, the commission man, has his liberty of action interfered with, as in the case of the sale that was made to one concern and the stock goes back; the competing packer is interfered with, especially in the light of the time that he went out and saw the steer that he wanted and bought it,

and then has it taken away from him because the big man wanted it—all of those things seem to tie in to answer your question that it is not in the public interest.

Mr. COOPER. Of course, the real thought I had back of my question, which was about to come a little later on in your testimony, was that I wanted to get the fact relative to the prices that the stockyard companies are charging the public for the products which they produced.

Mr. COLVER. Well, among other things——

CONTROL OF STOCKYARDS, BANKS, AND CATTLE LOAN COMPANIES.

Mr. COOPER. The packers have been charging, I should have said.

Mr. COLVER. Among other things, I should have said that the control of these yards make possible the ownership or control of such necessary adjuncts as the banks, the cattle loan companies, and the dead-animal rendering companies. For instance, in East St. Louis, where the Morris interests control the stockyards, there is only one bank in the yard. That bank has a lease and contract which provides that no other bank shall be permitted in the yard; that nobody shall be allowed to do anything like a banking business within the yards. So that the only other bank that can be used by the people whose offices are in that yard is 2,700 feet, a half mile out of the yards, down the street, from the exchange building, a full 10 minutes' walk; that is the disadvantage there.

The president of the bank that is down the street a half mile away has said that he could not get into those yards to do business for $1,000,000. One bank was allowed in the yard and no other bank was allowed in. That makes a monopoly there of the cattle-loan companies furnishing the credit by one bank being allowed in and all others being excluded.

That was in line, immediately, with what I was reading, Mr. Chairman.

CONTROL OF STOCKYARDS RENDERING.

Mr. MURDOCK. Did you mention the dead-animal privilege?

Mr. COLVER. Only in passing, and if you would give me five minutes I can clear that up, because the importance of that does not appear, I think, from anything that has been said yet.

Along with the ownership and control, we will say, of this Sioux City Stock Yards goes the Iowa Rendering Works, and the Iowa Rendering Works has an exclusive contract for the disposition of the dead animals in that yard. The shipper consigns his cattle to the yard, and if any are dead upon arriving they can only be disposed of to this Iowa Rendering Works; no one else can buy them and no one else can get at them. That is simple. Every man who does business in the yard has stipulated in his lease by which he does business in the yard that that is what he will do—that among other things, the commission man to whom the live stock is consigned, if any of it shall become dead stock when he gets it, has agreed in advance that he will dispose of it to the Iowa Rendering Works.

Mr. COOPER. He can not do business in that yard unless he agrees to that?

Mr. COLVER. He can not do business in that yard unless he signs the lease, and the lease has that provision in it, and his discretion is the dotted line.

Mr. HAMILTON. This Iowa Rendering Works does not overpay the owner of the dead animal, does it?

Mr. COLVER. I am coming to that. I was just trying to find in here that in July, August, and September of 1917 there were purchased in this Sioux City yard that we are speaking of 58 dead animals for $175.05, or $3.02 per animal on the average. Hides off these animals were being sold at that time at 21 cents a pound. Figuring the average weight of a hide at 50 pounds, the hides alone from the 58 cattle so sold brought $612.48, or 350 per cent profit. This was from the hides alone and leaves out of consideration what was made from the rest of the animal which went into the rendering tank.

In all of this I hope that there is not the impression being given to the committee that this commission or this report objects to profits. Not at all. And when sometimes we read large figures like these, I am so anxious that the record should not show a bias against profit, a bias against earnings. There is not the slightest desire in that direction; it is not what we are talking about and is not what we are trying to impress you with—it is how it is done and whether it is fair.

Mr. SANDERS. There is a difference between profit and piracy. [Laughter.]

Mr. COLVER. We are only talking about profit.

Mr. SANDERS. These figures you have just read are piracy.

Mr. COOPER. In other words, then, Mr. Chairman, Mr. Colver believes that if there was a little competition in the buying up of these animals the owners of the dead animals might receive a little more benefit?

Mr. COLVER. Exactly so.

Mr. HAMILTON. I should like to ask the witness, having in mind this instance, whether this is a typical case and whether there are many other instances where the dead animals are handled substantially in the same way he has described.

Mr. COLVER. Let me put into the record at this point, if the committee says it is all right, some figures on that subject.

Mr. HAMILTON. Put into the records anything that will illuminate the question.

The CHAIRMAN. Put in anything that relates to the same question.

(The data subsequently furnished by Mr. Colver is here printed in full as follows:)

MONOPOLIZING THE DEAD ANIMALS.

Among the monopolies found at practically all the big packer stockyards is that of yard rendering companies which take all the animals that arrive dead at the yards or die after arrival. The rendering done at the yard plants consists in cooking dead animals after the removal of the hides, in kettles or tanks and recovering therefrom tallow, grease, and tankage. products which are important material for use in the manufacture of soap and fertilizer.

These rendering companies are usually owned by the big packing corporations or individual members of packer families and their higher employees. Thus the Union Rendering Co., of St. Paul, is owned by Swift & Co. The St. Joseph Rendering Co. is not incorporated but is operated as a division of the St. Joseph Stockyards Co. which is controlled by Swift. At the other large packing cen-

ters—Sioux City, Omaha, St. Louis, Kansas City, and Chicago—members of the packer families and their employees hold all or nearly all the stock.

These companies are as follows: Sioux City, the Iowa Rendering Co.; Omaha, the Union Rendering Co.; St. Louis, the East St. Louis Rendering Co.; Kansas City, the Standard Rendering Co.; Chicago, the Globe Rendering Co.

At Sioux City Swift interests own 126 shares; Armour interests, 62 shares; and Cudahy interests, 62 shares, which comprises the entire capitalization. At Omaha Swift interests own one-half of the stock; the balance is divided between Morris, Armour, and Cudahy interests. At St. Louis Morris interests own three-fourths of the stock and Swift interests one-fourth. At Kansas City Morris interests own 6,500 shares; Wilson, 1,750 shares; Swift, 750 shares; Armour, 500 shares; Cudahy, 500 shares—10,000 shares in all. At Chicago the division is, Morris, 11,781 shares; Swift, 4,643 shares; Armour, 2,000 shares; Wilson, 1,300 shares; aggregating 19,724 shares out of the 20,000 shares outstanding.

Dividends for the last year for which the commission has returns vary from 65 per cent to 730 per cent a year on the money originally paid in. In the case of four of the five companies above named gift stock was presented to the stockholders, not as against surplus but against earning power secured by monopoly.

GLOBE RENDERING CO.

The Globe Rendering Co. is the rendering company which gets all dead animals in the Chicago stockyards. This company was incorporated August 10, 1908, under the laws of Maine. On September 1, three weeks after incorporation, the rendering company entered into a contract with the Union Stock Yards & Transit Co. by which the rendering company received "the sole and exclusive right to collect all dead animals found upon the premises and within the limits of the property and plant of the transit company aforesaid." The contract is for 15 years and expires September 1, 1923.

The contract also provides in section (b) the consideration which the transit company receives for this monopoly granted to the rendering company. This section reads as follows:

"(b) The rendering company shall pay to the transit company the sum of twenty-five (25) cents per head for all cattle and the sum of ten (10) cents per head for all hogs and sheep collected or handled during the term of this agreement."

The contract also provides in section (c) for the prices which are to be paid to owners or consignees of dead animals. In regard to hogs the prices to be paid are definitely stated in the contract. That part of section (c) reads as follows:

"(c) The rendering company shall also during the life of this agreement pay to the owners or consignees of dead hogs for the carcasses thereof at the rate of three-quarters of a cent a pound when the market price of grease is under five (5) cents per pound; one (1) cent per pound when the market price of grease is five (5) cents per pound or more and under six (6) cents per pound, and one and one-quarter cents per pound when the market price of grease is six (6) cents or more per pound."

The present price of grease is over 15 cents per pound, and yet under the contract they can not be compelled to pay more than 1¼ cents per pound. The company has made a concession, however, and is now allowing to owners and consignees 2¾ cents per pound, the same price which is allowed for dead hogs at other large yards.

Statements furnished by the Globe Rendering Co. show that it is owned by big-packer interests, the Morris interests having control. The business is extremely profitable, as will be shown later, and the policy has been to vest ownership in the big-packer families and their high-salaried employees rather than in the corporations of Armour & Co., Morris & Co., Swift & Co., and Wilson & Co. Examining the list of stockholders with this in mind, we find that Morris interests own 11,381 shares; Armour interests, 2,000 shares; Swift interests, 4,643 shares; and Wilson interests, 1,300 shares; leaving scattered holdings of 674 shares.

The schedule returned by the company shows that of the $2,000,000 outstanding only $200,000 was issued for cash. The balance $1,800,000 was given to the stockholders—issued against "property." It has not been the policy of the company to build up large surplus. In the schedule as returned, real estate, machinery and fixtures, motor trucks, and inventory all appear under

these heads in the statement of resources and liabilities as of date of December 29, 1917. Aside from these, the statement of resources has an item listed as "property," the amount of which is $1,835,191.93. A letter was sent to the Globe Rendering Co. for a statement of what was represented by this "property" item. Under the date of June 3, 1918, the company replied:

"The 'property' item shown in our statement, amounting to $1,800,000, represents good will, and does not include any tangible property."

On the books of the board of assessors of Cook County, as of May 1, 1917, the land of the Globe Rendering Co. is carried at $32,652; improvements on land, $1,800; and personal property, $3,500; or a total of $41,956 for total real estate and personal property. These are the figures on full value. The company has acquired real estate costing $66,627 since May 1, 1917. On the books of the company the real estate is carried at $77,534.10; the buildings at $1,171.26; and machinery and fixtures, $66,517. It is clear that the $200,000 paid in was enough to cover land, equipment, and a sufficient amount of working capital. The greatest asset of the company is undoubtedly the contract for the monopoly of dead animals, although that is not listed in its statement of resources. It seems evident that the capital was increased to make dividends declared seem smaller.

The record of earnings and dividends for the last five years is as follows:

	Earnings.	Per cent on cash paid in.	Per cent on paper capital.	Dividends.
1913	$134,360.88	72	7.2	$140,000
1914	101,201.43	51	5.1	60,000
1915	86,517.13	43	4.3	120,000
1916	148,160.38	74	7.4	140,000
1917	222,394.82	111	11.1	140,000

Average dividend for these five years, $120,000, which is 60 per cent on amount paid in and 6 per cent on paper capital.

"SCHEDULE A."

MAY 22, 1918.

GLOBE RENDERING CO.,
357 Exchange Building, Union Stock Yards, Chicago, Ill.

GENTLEMEN: The receipt of Schedule A of the Federal Trade Commission, duly filled out by officials of the Globe Rendering Co., is duly acknowledged. The commission desires further information in regard to certain items covered in the schedule. You are therefore requested to furnish list of real estate acquired during the last five years and cost thereof, also buildings erected and cost thereof. It is also desired that the item "Property," which amounts to about $1,800,000 in round numbers for several years, be further explained as to what it covers. The form of statement submitted indicates that it does not include real estate, machinery and fixtures, or inventory, as those items appear separately. The commission directs that the information be mailed not later than May 27.

Yours, very truly,

FEDERAL TRADE COMMISSION,
FRANCIS WALKER,
Chief Economist.

"SCHEDULE A." NMB—O—MAY 22, 1918.

CHICAGO, *June 3, 1918.*

Mr. FRANCIS WALKER,
Federal Trade Commission, Washington, D. C.

DEAR SIR: In reply to your letter of May 22, wish to say that on September 14, 1917, we acquired from the Union Rendering Co., 444.18 acres farm and pasture land surrounding plant, at a total cost of $66,627. No new buildings have been erected on this property.

The "Property" item shown on our statement, amounting to $1,800,000 represents good will and does not include any tangible property.

Yours, truly,

GLOBE RENDERING CO.,
PAUL A. DETT, *Secretary.*

OTHER PACKER RENDERING COMPANIES.

STANDARD RENDERING CO., OF KANSAS CITY.

The Standard Rendering Co. is the company which gets all the dead animals in the Kansas City yards. It was incorporated in 1908 and is controlled by the Morris interests, who also control the stockyards. There are 10,000 shares of $100 each, making a total capitalization of $1,000,000. According to a schedule furnished the commission by the company, $2,500 of stock was issued for cash and $997,500 for property.

Of the outstanding stock, 6,500 shares are held by Morris interests, 750 by Swift, 500 by Cudahy, 500 by Armour, and 1,750 by Wilson. In its statement of resources and liabilities furnished the commission as of December 31, 1917, the value of "property, buildings, machinery, fixtures, etc.," was represented at $950,140.85. One of the commission accountants examining the account found that the total book value was less than $100,000. Assessors' valuation for real estate and improvements and personal property, including equipment, is $38,500.

The necessary cash working capital is about $25,000, so it is fair to say that the whole investment represents about $100,000, even though it is capitalized at $1,000,000.

	Dividends paid.	Per cent on $100,000.	Per cent on $1,000,000.
1912	$80,000	80	8
1913	80,000	80	8
1914	30,000	30	3
1915	80,000	80	8
1916	100,000	100	10

UNION RENDERING & REFINING CO.

At Omaha the Union Rendering & Refining Co. has the monopoly of the rendering of dead animals at the yards. The capitalization of the company is 1,000 shares of $100 each. Of this capitalization, $20,000 was paid in cash and $80,000 was distributed as a cash dividend. The original capital was adequate and there was but a small surplus—under $5,000—against which $80,000 in watered stock was issued, undoubtedly so that the percentage of profit might appear to be reasonable. For that reason the percentages of profit which follow will be figured on the $20,000 actually paid. Armour's manager in a letter quoted below, estimates the value of plant and real estate at $25,000 to $30,000.

This company is controlled and operated by the Swift interests, which own about one-half the stock, the balance is divided between the Armour, Morris, and Cudahy interests.

The prifits for the five years, beginning 1912, figured on the $20,000 actually paid in, and disregarding the $80,000 gift stock as issued against nothing but monopoly earning power, are as follows:

November 30—	Net profits.	Percentage profit (based on $20,000).
1912	$14,636.34	73
1913	14,542.39	72
1914	7,745.93	39
1915	13,403.75	67
1916	16,140.63	80

EAST ST. LOUIS RENDERING CO.

The East St. Louis Rendering Co. is an example of profits and dividends. This company was incorporated November 30, 1903, with a capital of $12,000. Thirteen months later, in January, 1905, a 100 per cent dividend was declared in cash. After that no dividends were paid till 1911. On July 12, 1909, the

stock was expanded twentyfold, i. e., the holder of each share of stock received 19 shares additional. On this stock as thus expanded, without new investment of money, dividends were paid as follows:

	Per cent.		Per cent.
1911	20	1915	30
1912	13	1916	30
1913	21	1917	36
1914	6		

The 1917 dividends of $86,400 was 720 per cent on the $12,000 cash originally paid in.

Aside from the yard-rendering business proper, the profits of the East St. Louis Rendering Co. are swelled by a contract with the city of St. Louis extending from June 19, 1910, to December 31, 1929, by which the city of St. Louis delivers all dead animals dying in St. Louis to the East St. Louis Rendering Co. for $425 a month. A similar contract exists with the city of East St. Louis, which turns over all dead animals to the rendering company for $40 a month. This company gets all the dead animals from the National Stock Yards. Morris interests own 75 per cent of the stock and Swift interests the balance of the $240,000 capital.

The usual complaint about the low prices allowed for dead animals was heard at National Stock Yards and the commission men and shippers had a still further grievance in that while they were obliged to take the low prices offered, Armour, who ships in hogs from Fort Dodge and Peoria, is not compelled to sell those arriving dead to the rendering company, but is allowed to develop the full by-product value at his own plant.

The new stock of July 12, 1909, was issued only partially against surplus which accumulated during the early years of the company's history when no dividends were paid. Mr. Cullen estimated that the real estate, plant, buildings, machinery, and equipment are worth about $100,000. Assuming this to be true and allowing $20,000 for working capital, the company is overcapitalized twofold.

The earnings for the last five years are as follows:

Year.	Amount.	Per cent on $240,000 capitalization.
1913	$49,784.00	20.7
1914	34,425.03	14.4
1915	64,403.76	26.8
1916	82,936.84	34.3
1917	86,156.69	35.9

The total for the five years is $317,706.32, which is but $22,506.22 in excess of dividends paid during the same period. The surplus December 29, 1917, was $67,914. The company started out for the year 1918 paying dividends at the rate of 48 per cent per annum.

SITUATION AT LOUISVILLE, NASHVILLE, AND CINCINNATI.

A very striking illustration of the benefits of competition as compared with monopoly in disposing of dead animals is afforded by examining the situation at Nashville, Louisville, and Cincinnati. At Nashville, where there is a monopoly, the shipper receives one and a quarter cents a pound for his dead hogs. At Cincinnati, where there is a monopoly enforced by contract the shipper receives 2.6 cents a pound. At Louisville, midway between Cincinnati and Nashville, where there is competition between two firms, the shipper receives 6 cents a pound. At the six big markets where the monopoly of dead animals prevails, the ruling price allowed on dead hogs is 2¾ cents a pound.

IOWA RENDERING CO.

The Iowa Rendering Co. has a monopoly of all the dead animals at the Sioux City Yards. This company is capitalized at 250 shares of $100 each all paid in in cash. Of this capitalization Swift interests own 126 shares, one more

than half, the balance is equally divided between Armour and Cudahy interests. These are the three packers who have slaughtering plants at Sioux City. The management is in the hands of Swift interests. As bearing on profits earned, two letters found in the files of Swift & Co. in regard to the Iowa Rendering Co. follows:

CHICAGO, *July 20, 1917.*

Mr. EDWARD F. SWIFT,
Second floor.

Referring to the attached.
You and Mr. Louis F. Swift each own 31 shares—par value $100.
Dividends have been paid by the company recent years as follows:
January, 1916, special dividend, 50 per cent.
November, 1916, special dividend, 50 per cent.
Year 1916, regular quarterly dividend, 20 per cent per annum.
April, 1917, special dividend, 50 per cent.
January, 1917, regular quarterly dividend, basis 20 per cent per annum.
April, 1917, regular quarterly dividend, basis 20 per cent per annum.
Will it be satisfactory to you to pay special dividend of 50 per cent?

WM. B. TRAYNOR.

CHICAGO, ILL., *July 21, 1917.*

Iowa Rendering Co. capital stock tax.

Mr. R. F. MURRAY,
Secretary The Sioux City Stock Yards Co.,
Sioux City, Iowa.

DEAR SIR: Replying to yours of the 18th instant in regard to the Iowa Rendering Co.:

If the rendering company made an average of 63 per cent per year for five years from their rendering operations, it would be correct to consider the fair value of the capital stock as $630.00 per share and make your return on this basis.

Yours, truly,

L. F. SWIFT.

JGS:FP
co—LF Swift

The following letter from Wm. Magivny, Swift stock yard manager at St. Paul, and former yard manager at Sioux City, to L. F. Swift, furnishes a good picture of the prosperity of the Iowa Rendering Co.:

ST. PAUL UNION STOCKYARDS COMPANY,
South St. Paul, Minn., May 7, 1917.

Mr. LOUIS F. SWIFT,
Union Stockyards, Chicago, Ill.

DEAR SIR: Answering your favor of the 1st inst. relative to my stock in the Iowa Rendering Company at Sioux City. Inasmuch as this stock earned $116 a share last year and is going stronger than that so far this year, I have not been looking very hard for a buyer. I gave several year of work to that institutión when I was in Sioux City with the idea that I would help build up something that would be profitable to me in later years, I would therefore not care to dispose of my stock unless I could get enough for it so that the money invested in some other direction would bring me returns somewhere near commensurate to the returns I am getting now. I have 175 shares of St. Paul Union Stockyards Company stock which earned last year about $2,537.50. My 37 shares of Iowa Rendering Company stock earned last year $4,292.00. I will put these two together in an offer at $45,000.00. This offer is subject to prior sale of any part, and in any event will be good only until May 15th.

Yours, respectfully,

(Signed) WM. MAGIVNY.

ST. PAUL UNION STOCK YARDS CO.—COMMISSION CONTRACT.

The big packers monopoly of dead animals is made possible through control of the stockyards. This is illustrated in the following form of contract signed by all commission men who are permitted to operate in the St. Paul stockyards. This agreement, among other things, enforces the rendering monopoly.

Form 97. . 300 3-17 Rep.

These articles of agreement, made and entered into this —— day of ———, 19—, by and between St. Paul Union Stock Yards Co., a corporation duly created and organized under the laws of the State of Minnesota, hereinafter called the first party, as party of the one part, and ————, hereinafter called the second party, as party of the other part:

Witnesseth, That for and in consideration of the agreements of the second party herein contained, the first party hereby grants permission to the second party to establish and conduct the business of buying and selling live stock at the yards and upon the premises of the said first party, at South St. Paul, Minn., and also agrees to lease to said second party office space in the Exchange Building of the said first party, located in its yards at South St. Paul, upon the terms and conditions fixed and determined by the lease therefor executed between the parties hereto, when space shall be available.

The second party hereby agrees to establish and conduct the business of buying and selling live stock in the yards and upon the premises of the said first party at South St. Paul, Minn.

It is agreed that all live stock consigned to, delivered to, or in possession of said second party may be yarded and fed by said first party, and said first party shall have and receive therefor the rate and price established by said first party. And said first party shall at all times and under all circumstances have the right to direct the location and pens in which any live stock may be kept at said stockyards.

The said second party agrees to collect for said first party, free of expense, all the charges of said first party for yardage and feeding, together with freight and all other charges due said first party, or for which said first party shall be liable or holden, upon all live stock received at the yards of said first party and consigned to or forwarded by said second party, or that may be turned over to said second party at said stockyards, whether the same is or is not consigned to said second party, and to promptly pay the same over to said first party whenever demanded, hereby agreeing to personally so promptly pay to said first party on demand all such sums or charges, whether collected or otherwise made from other parties or not.

And the said second party hereby agrees to hold said first party harmless and to protect it against any and all claims that may be brought against it by reason of loss or mixing of live stock during the hours when the pens are unlocked and the live stock therein contained is delivered to said second party.

It is further agreed that all animals that may arrive dead at, or that may die in, the stockyards of said first party, and consigned to or in charge of said second party, shall be sold and disposed of as directed by the said first party, as to manner, price, and purchaser.

The said second party agrees to promptly indemnify the said first party for any damages that may occur by reason of the said first party having accepted and executed the orders of the said second party, or the agents thereof, for the handling or delivery of live or dead animals in the stockyards of the said first party, or for any damages that may occur by reason of the said first party having delivered to the said second party, or the agents thereof, any live stock in said yards, authority for which delivery is based upon the representations or requests made by the said second party, or the agents thereof, to the said first party.

The said second party hereby agrees, in conducting the said business of buying and selling live stock to conform to, observe, and obey all the by-laws, rules, regulations, and contracts of the said first party, now or hereafter made or promulgated, relating to, or governing the transaction of business at or through the stockyards of said first party.

The said second party agrees to furnish a bond in the sum of five thousand ($5,000.00) dollars for the faithful performance of this contract, with sureties, all to the satisfaction of said first party, and to furnish additional bond from time to time whenever said provided bond shall become inadequate or unsatisfactory to said first party.

It is further agreed that said second party shall begin business as herein stipulated on the —— day of ———, 19—, and shall continue under this contract until the —— day of ———, 19—, unless this contract be sooner rescinded by the mutual consent of the parties hereto. And it is further expressly agreed by the parties hereto that the said first party may cancel this

contract upon thirty (30) days' written notice, should said second party violate any of the terms hereof.

And it is further agreed that the said second party shall not sell nor assign any interest in this contract or in the business carried on thereunder without the written consent of the said first party indorsed hereon.

In witness whereof the said first party has caused these presents to be signed by its president and attested by its secretary, and its corporate seal to be hereto affixed, and the said second party has ———— at South St. Paul, Minn., the day and date first above written.

St. Paul Union Stock Yards Co.,
By ——— ———, *President.*

Attest:
——— ———, *Secretary.*

Mr. Colver. Then, leaving that and going to another question, we will come to the question of the feeding of the animals in the stockyards by the stockyard companies, and later when you come to trace profit you will find that there is profit and profit. There is profit, perhaps, of less than a cent a pound on meat, but there is many a profit taken between the ranch and the pound of meat, as we will show you.

The Chairman. Let us go ahead with the packers. We want to draw some conclusions ourselves.

Mr. Hamilton. Pardon me, Mr. Chairman, but somewhere in this testimony I would like to know a little about the other sources of profit from the rendering business. These animals go into a rendering tank, and there are many products of the dead animals besides the hide. I would like to get some idea of the magnitude of that rendering business, and if Mr. Colver does not want to state it here let him put it in his testimony later, so that we can get it.

Mr. Colver. Yes; and that is what I meant a moment ago when I said we would put in at this point figures to show what we have on that subject.

STOCKYARDS PROFIT ON HAY AND GRAIN.

Then, one other thing: I will give some figures showing the profit that is made by these stockyards on the grain and hay and the feed of the animal, and charged, of course, to the owner or to the producer of the live stock before it is sold to the packer.

Taking Omaha, for example, the profit on 20,343 tons of hay, which was the amount of hay fed in those yards at Omaha during the year 1914; the amount collected for that amount of hay was $382,850.35. The cost of the hay——

Mr. Hamilton (interposing). How much per ton does that figure out?

Mr. Colver. About $17.

Mr. Hamilton. I think, Mr. Chairman, we can not hurry this hearing. I think it is impossible.

The Chairman. I say it is "impossible." I am trying to hurry as much as possible.

Mr. Colver. That $17 is mental arithmetic. You will have to divide 382 by 20, and that is dividing—[$18.82].

Mr. Hamilton (interposing). I do not suppose the farmer got over $10 or $15 a ton for his hay.

Mr. COLVER. I am going to now give you the per cent and the cash profits made on the transaction, and then we will se how much it is. Without repeating the figures I gave you a moment ago, the transaction was as follows: The amount that the hay was sold for was $382,850.35; the cost of the hay and the labor in handling the hay was $246,438.21, and the net profit remaining was $136,412.14 on the 20,000 tons of hay, and that was a profit of 55.2 per cent net on the cost of the hay and the labor.

Mr. HAMILTON. All of which makes it highly important to the shipper to get rid of his stock as soon as possible for whatever he can get from the packers for his stock?

Mr. COLVER. Yes. The profit on the grain and feed for the year 1914 in the same yard, the receipts; that is, the proceeds, was $208,651.47. The cost of grain and the labor in handling was $147,057.53, the net profit remaining of $61,593.94, which is 41.5 per cent profit on the cost of the grain and the labor.

For 1915 the proceeds on 24,251 tons of hay was $449,410.35; the cost of hay and labor in handling was $262,889.68, and the profit was $186,520.67, and that was 70.7 per cent profit.

Mr. WINSLOW. Gross or net?

Mr. COLVER. Net profit above cost and handling.

Mr. WINSLOW. That may be and yet not be net, which is a different proposition.

Mr. COLVER. Oh, yes; but there has not been brought in any overhead.

Mr. WINSLOW. No fixed charges of any kind?

Mr. COLVER. No.

Mr. WINSLOW. Well, what was it when you got through with that?

Mr. COLVER. In order to arrive at that figure we would have to give you the net of the yard as a whole, and we could not give you the separated transaction.

Mr. WINSLOW. Take the whole business for the year.

Mr. COLVER. We have done that.

Mr. WINSLOW. What is the net profit, all charges having been made against it?

Mr. COLVER. All the charges they made against it we made against it; we are giving the bookkeeping as they made it.

Mr. WINSLOW. What is the net profit on that hay? A man would go up the flue the second year if he kept his books that way.

Mr. SAUNDERS. He would not have gone broke selling hay at 70 per cent profit.

The CHAIRMAN. Mr. Colver, of course your testimony is very important. We have now given you six or seven days. We did not think it would require that long. We have scheduled for to-morrow, the next day, and the next day after that other gentlemen, and then the committee has another subject on next Monday; and I can not tell you when you can resume your statement. But I will say this, that as soon as there is an opportunity the committee will give it to you, and I will advise you.

But I would like to say this: That if you or Mr. Murdock, who are familiar with what the commission has done in the way of obtaining information, find it possible, we would like you to be present when these other witnesses make their statements, because we might want

to ask you something in connection with the statements they make as they go along. These other gentlemen have asked to be heard, and they have been requested to begin to-morrow. One of them is ex-Secretary Fisher and another is Mr. Burke, whom we have asked to be here to-morrow.

Mr. COLVER. I was going to ask the committee if I might not be excused next Monday and Tuesday, as I ought to go out of town on those days on business.

The CHAIRMAN. We will not even take up this subject on next Monday, as that day will be taken up with a hearing on another bill, and we are not sure you can come back next Tuesday. In fact, I do not know whether you can come back any time next week.

We have made arrangements by which the five big packers, as they are called, will begin their representations on the 20th and be heard during the week; and I have notified them to that effect.

Mr. HAMILTON. We will not want to hear them before the commissioner concludes?

The CHAIRMAN. That is what we want to avoid.

Mr. SANDERS. I do not think we will get through in a month. We have now a chance to get some information about the packers, and I, for one, want to get it.

STOCKYARD EARNINGS.

Statement referred to on page 176 follows:

Practically all the stockyard companies enjoy a handsome revenue. The profits are unusually large. It is not uncommon for some of them, particularly those either wholly or partially controlled by the big packers, to realize from 50 to 100 per cent on the capital originally invested.

The Milwaukee Union Stockyards, which is owned by Swift & Co., affords an illustration of the big profits realized by stockyards companies. This company was organized in October, 1905, with a capital stock of $10,000. The company rents the yards, consisting of 11½ acres with hotel and office building, from the Chicago, Milwaukee & St. Paul Railroad. In 1912 it reported a surplus and undivided profits of $176,982.46. Its net earnings that year were $41,597.21. In 1913 its net earnings were $57,805.15. In 1914 they amounted to $47,996.09. In 1915 the earnings increased to a total of $70,315. In 1916 a stock dividend of $190,000 was declared and the capital stock automatically increased to $200,000, with a surplus at the close of the year of $45,050.42.

Stockyards earnings have been so great as to enable the packers to declare numerous stock dividends, and by this means they have substantially increased the amount of their holdings in the yard companies.

At St. Joseph the Stockyards Co. was organized in 1896 with a capital stock of $500,000. Subsequent increased capitalizations were: 1897, $750,000; 1899, $250,000; 1901, $150,000; and in 1907, $850,000. Of these increases it is known that at least the last one represents a stock dividend.

OMAHA STOCKYARDS.

The Union Stock Yards Co., of South Omaha, furnishes another good example. Of the $7,500,000 capital stock of this company, $4,300,000 represents stock dividends declared as follows: June, 1890, $1,800,000; July, 1893, $1,000,000; and June, 1903, $1,500,000. Over a million dollars of additional stock was issued in the form of bonuses to different packers.

The figures of earnings of the Union Stock Yards Co., of Omaha, which follow are those furnished by the Stock Yard Co. itself to the Nebraska Railway Commission under the provisions of a State law which declares stockyard companies common carriers and requires them to report to the railway commission. The profits shown on hay and grain sold in the yards come from the same source.

	Receipts.	Expenses.	Net.	Gain.	Operating rate.
				Per cent.	*Per cent.*
1885	$61,634.57	$31,179.59	$29,854.98	48.5	51.5
1886	91,294.65	48,902.20	42,392.45	46.4	53.6
1887	237,967.02	63,333.30	174,633.72	73.0	27.0
1888	279,721.43	76,582.96	203,138.47	72.7	23.3
1889	290,167.32	76,930.99	213,236.33	73.4	22.6
1890	425,602.12	101,892.47	323,709.65	76.0	24.0
1891	409,142.93	114,199.34	294,943.59	72.1	29.9
1892	492,988.96	121,963.34	371,025.62	75.3	24.7
1893	538,600.15	169,682.08	368,918.07	68.6	31.4
1894	602,061.67	167,450.28	434,611.39	72.2	27.8
1895	418,505.32	148,399.82	270,105.50	64.6	35.4
1896	411,201.92	138,428.18	272,773.74	66.4	33.6
1897	559,266.12	163,331.24	395,934.88	70.8	29.2
1898	554,479.55	176,419.24	378,056.31	68.2	31.8
1899	587,861.38	182,595.26	405,266.62	68.8	31.2
1900	624,863.33	189,162.51	435,701.82	69.7	30.3
1901	634,519.87	184,804.36	449,715.51	71.0	29.0
1902	784,728.68	212,290.51	572,438.17	73.0	27.0
1903	757,819.95	248,950.15	508,864.80	67.4	32.8
1904	724,856.97	257,156.88	467,700.09	64.6	35.4
1905	758,686.89	287,631.30	471,055.59	62.1	37.9
1906	816,581.94	312,244.65	504,437.29	61.8	38.2
1907	809,782.78	319,280.89	490,501.89	60.8	39.2
1908	785,015.93	288,995.96	496,019.97	63.2	36.8
1909	854,083.27	284,796.18	569,287.09	65.9	34.1
1910	878,812.25	324,253.44	554,558.81	63.0	27.0
1911	953,936.38	337,574.45	616,361.93	64.6	35.4
1912	949,182.79	314,749.15	634,433.64	66.8	33.4
1913	977,661.77	324,729.47	652,932.30	66.8	33.4
1914	924,132.33	371,180.06	552,952.27	60.0	40.0
1915	1,080,841.56	379,239.98	701,601.58	64.9	35.1
1916	1,323,749.73	412,891.24	901,858.49	68.8	34.5
1917	1,336,448.92	488,877.19	847,571.73	63.4	36.6
1918	1,575,518.00	776,683.26	798,834.74	50.7	49.3

Expense items include interest and taxes as shown by sample statement of operation for 1915, year ending November 30, 1915.

Detailed operations, Omaha stockyards, 1915, year ending Nov. 30, 1915.

Earnings items.

Yardage	$646,641.81
Profit on hay	186,520.67
Profit on grain	63,393.46
Horse and mule department	31,573.64
Rent	35,901.72
Car loading and switching	96,684.64
Hotel department	9,450.00
Dipping account	6,091.08
Horseshoeing shop	1,290.06
Grease account	3,289.48
	1,080,841.56

Expense items.

Labor	$119,266.60
Water	22,213.35
Cleaning yard	26,279.06
Lost and damaged stock	602.62
Traveling expenses	1,553.01
Taxes and insurance	88,622.73
Coal and ice	731.67
Electric light	1,649.28
Advertising	19,916.58
Legal services	4,820.60
Telephone and telegraph	3,206.50
Stationery	2,688.44
Yard repairs	54,681.76
Miscellaneous and donations	5,714.73
Interest	19,742.57
Blacksmith shop	270.25
Incenerator	7,280.23
	379,239.98
Gain from operation	701,601.58
	1,080,841.56

These large earnings have made it possible to give away valuable real estate to the big packers; build plants for them which were subsequently sold to them at cost, or given to them; give them huge blocks of stock for nothing or 50 cents on the dollar; charge large amounts to maintenance, profit and loss, and new construction; give millions of dollars in new stock as a stock dividend, and yet all this time pay dividends and bond interest regularly. Owing to these benefactions to those interested, the earnings, with respect to amount of stock outstanding, show about 8 to 10 per cent on the capital stock, a goodly part of which, it must be remembered, was given without money being paid therefor.

The complaint in Nebraska is that these earnings were wrung from shippers, in both good and bad years, by unjustifiably large charges for yardage and feed.

OMAHA YARD.

PROFIT ON 20,343 TONS OF HAY, YEAR 1914.

Proceeds	$382,850.35
Cost of hay and labor in handling	246,438.21
Profit	136,412.14

This profit is 55.2 per cent of the cost of hay and labor.

PROFIT ON GRAIN AND FEED.

Proceeds	$208,651.47
Cost of grain and labor in handling	147,057.53
Profit	61,593.94

This profit is 41.5 per cent of the cost of grain and labor.

PROFIT ON 24,251 TONS OF HAY, YEAR 1915.

Proceeds	$449,410.35
Cost of hay and labor in handling	262,889.68
Profit	186,520.67

This is 70.7 per cent of the cost of the hay and labor.

PROFIT ON GRAIN AND FEED.

Proceeds	$246,277.70
Cost of grain and labor in handling	182,884.24
Profit	63,393.46

This is 34.4 per cent of the cost of grain and labor.

PROFIT ON 25,233 TONS OF HAY, YEAR 1916.

Proceeds		$499,630.43
Cost	$244,023.70	
Labor in handling	17,745.65	
		261,769.35
Net profit		237,861.08

This is 97.5 per cent on cost of hay.

GRAIN.

Proceeds		$289,652.36
Cost	$202,589.93	
Labor in handling	2,957.70	
		205,547.63
Net profit		84,104.73

This is 41.5 per cent on cost of grain.

Out of $7,496,300 capital stock now outstanding, the following stock has been issued for considerations other than cash payment:

August, 1884: For stock holdings in the Transfer Stock Yards Co., of Council Bluffs, Iowa	$350,000
November, 1886: Stock bonus to Fowler Bros. and various sales of stock below par	233,460
November, 1888: Stock donations to Swift, Armour, and Cudahy	250,000
June, 1890: Stock dividend on a pro-rata basis	1,800,000
July, 1893: 25 per cent stock dividend to stockholders of record	1,000,000
June, 1897: Stock bonus to Armour & Co	750,000
June, 1903: Stock dividend on a 25 per cent basis, which, figured on the then outstanding capital stock, would make $1,500,000. The uneven number is due to the fact that fractions of shares were not issued. Stockholders, however, buy fractions from each other and upon presentation of fractions large enough to make up an integral unit, full shares are issued to them that entitle them to all the back dividends	1,479,100
November, 1903: Additional stock bonus to Armour & Co	37,800
From 1903 to 1911: Stock due and issued as part of $1,500,000 stock dividend on fractions, as indicated above	17,200
Total	5,917,560
Of the $1,500,000 stock dividend that has not been issued as yet, but probably will be as the fractions come in	3,700
This gives us a total of stock issued for considerations other than cash out of a total of $7,500,000 capital authorized	5,921,260

T. M. SINCLAIR & CO., CEDAR RAPIDS, IOWA.

In response to Mr. Sweet's question on page 193, Mr. Colver furnished the following:

T. M. Sinclair & Co. was absorbed by Sulzberger & Sons Co. in 1913. A Delaware corporation, known as the Central Products Corporation, took over the entire stock, $100,000 preferred and $400,000 common, of T. M. Sinclair & Co. This holding company has 25,000 shares of common stock, all of which was owned by Sulzberger Sons & Co., later Wilson & Co. (Inc.).

The price received by the Sinclairs was 11,217 shares of the 12,217 shares of preferred stock of the Central Products Corporation, Wilson & Co. (Inc.) taking the remaining 1,000 shares. This preferred stock has no voting power.

The actual slaughtering business is still carried on by T. M. Sinclair & Co., the subsidiary corporation, all of whose stock is owned by Wilson & Co. (Inc.) through the Central Products Corporation. Members of the Sinclair family are still officers of T. M. Sinclair & Co., Robert S. Sinclair being now president and A. S. Sinclair secretary and treasurer.

EXHIBITS.

EXHIBIT A.

THE MEAT PACKERS IN THE SALMON-CANNING INDUSTRY.

In order to ascertain whether any effect on price has resulted from the entrance of the "Big Five" into the canned-salmon industry, the following exhibits have been prepared:

I. A comparison of the price of canned salmon and the general index of food prices.

II. The estimated selling prices on the different grades of salmon sold by the packer-controlled companies and by the other companies in 1916 and 1917.

III. The cost of the different grades of salmon as packed by the packer-controlled companies and the independent companies in 1916 and 1917.

IV. The costs, prices, and profits of the packer-controlled companies and of the independent companies on an average of all grades for 1916 and 1917.

V. Conclusions.

I. *The salmon prices and the general index of food prices.*

	Index of food prices.[1]	Index of opening prices of salmon.[2]		Index of food prices.[1]	Index of opening prices of salmon.[2]
1914	100	100	1916	121	94
1915	98	85	1917	180	156

[1] Bureau of Labor's index of wholesale prices.
[2] Weighted average for all grades.

Salmon prices did not rise so rapidly during the war as did food prices generally. The meat packers, who had always been interesten in the salmon industry, extended their operations considerably in the salmon-canning industry in 1916. Although the increase in the price of salmon between 1916 and 1917 was greater than the increase in prices generally in the same period, this was partly due to the fact that the opening prices, which were used in the index, were higher than the prices actually realized.

II. *Estimated average selling price per case of different grades of salmon, 1916 and 1917.*

	Companies controlled by packers.[1]	Companies partially controlled by packers.[2]	Other companies (32).
1916.			
Red	$5.13	$5.48	$6.37
1917.			
Red	7.86	8.50	9.09
Pink	4.21	6.14	6.27

[1] Wilson and Swift.
[2] California Packing Corporation, Pacific American Fisheries, Booth Fisheries Co.

The packer-controlled companies sold the same grade at lower prices than the small companies in 1916 and in 1917. Although these lower prices were apparently due to lower costs, it was probably not efficiency but the ability to get the best grades of raw fish that explained the low costs.

III. *Costs of different grades of salmon.*

	Companies controlled by the packers.	Companies partially controlled by the packers.	Other companies.		Companies controlled by the packers.	Companies partially controlled by the packers.	Other companies.
1916.				1917.			
Red	$3.91	$3.71	$4.03	Red	$5.53	$4.50	$6.57
Pink	2.89	3.02	2.80	Pink	4.78	4.06	4.13
Chums	2.78	3.52	3.27	Chums	3.85	5.19	4.58
Coho	4.50	4.60	4.13	Coho	5.91	5.57	6.40

The companies controlled by the packers had lower costs for three of the four grades in 1917. The companies probably controlled or partially controlled by the packers in 1917 had lower costs for three of the other four grades. When the situation in 1916 is contrasted with that in 1917 it appears that the smaller companies had unusually high costs in 1917. This was to some extent due to the high costs of raw fish.

A comparison of the prices, costs, and profits of the companies owned by the meat packers and of other companies in 1916 and in 1917 were as follows:

IV. *Costs, prices, and profits on all grades of salmon.*

	Companies controlled by packers.[1]	Companies partially controlled by packers.[2]	Companies apparently independent.[3]		Companies controlled by packers.[1]	Companies partially controlled by packers.[2]	Companies apparently independent.[3]
1916.				1917.			
Average selling price	$5.34	$4.92	$4.48	Average selling price	$7.26	$7.50	$7.08
Average cost	4.62	4.06	3.41	Average cost	5.41	4.50	5.01
Average profit (net)	.61	.86	.98	Average profit (net)	2.24	2.92	2.04

[1] Wilson-Wakefield group, and Libby, McNeil & Libby.
[2] California Packing Corporation, Pacific American Fisheries Co., and the Booth Fisheries Co.
[3] 32 independents.

The conclusions to be drawn from these figures are not so valuable, because they represent an average of all grades.

In 1916 the packer-controlled companies sold at a higher average price (per case) than the independents, but this was due to the fact that they packed a larger proportion of the best grade of salmon. The cost (per case) of the packer-controlled companies were higher; thus their profits per case were lower.

In 1917 the prices charged by the packer-controlled companies were higher than those charged by the other companies.

This may be explained by the fact that the packer-controlled companies secured and sold better grades of salmon than the other companies.

The packer-controlled companies, however, made larger margins of profit than the smaller companies. They secured the better grades of fish at relatively low costs.

V. Conclusions.

Although the price of canned salmon did not rise so rapidly as food prices generally during the war, the increase in the price of salmon between 1916 and 1917 was considerable.

The companies controlled by the "Big Five" did not sell at higher prices grade for grade than the small companies in 1916 and 1917, but the packers probably helped to bring about the high prices charged by the small companies. The high raw-fish costs of the independent companies in 1917 and the relatively small raw-fish costs of the packers in that year are presumptive evidence that the packers' operations are to some extent responsible for the higher costs of the small companies.

Exhibit B.

Legend for chart of percentages of control in various facilities and industries.

	Percentage of control by "Big Five."	Year or other period.
Meat group:		
Receipts of live stock at stockyards controlled by the "Big Five" as compared with receipts at all yards	[1] 64.9 [2] 83.1	1916.
Beef refrigerator cars	91.0	
Live-stock cars	2.0	
Number of branch houses operated by interstate slaughterers	86.0	1916.
Interstate slaughter—		
Head of cattle	82.2	1916.
Head of calves	79.4	1916.
Head of sheep	86.6	1916.
Head of swine	63.3	1916.
All animals (live weight)	73.3	1916.
Interstate and wholesale local slaughter all animals (live weight)	67.7	1916.
Lard production by interstate slaughterers	75.5	1916.
Beef exports from Argentina and Uruguay	[3] 57.4	1917.
Average monthly stocks held by interstate slaughterers—		
Frozen beef	95.0	1916.
Lard	75.4	1916.
Pickled pork	70.5	1916.
Dry salt pork	69.8	1916.
Smoked ham and bacon	64.1	1916.
Branch house sales of meats by interstate slaughterers—		
Fresh meats	94.9	1916.
Cured meats	86.5	1916.
Related products:		
Production mixed fertilizers	[4] 19	1916–17.
Production acid phosphate	[5] 11.8	1916–17.
Leather production—		
Shoe stock—		
Sheep	42.8	Jan. 1–Nov. 1, 1917.
Calf	11.1	Do.
Cattle	12.6	Do.
Strap	44.9	Do.
Belting	21.3	Do.
Harness	9.4	Do.
Oleomargarine	41.7	1915–16.
Lard compound	42.5	1916.
Unrelated products:		
Production of crude cottonseed oil	[6] 7.5	1916–17.
Production of refined cottonseed oil	31.5	1916–17.
Production of soap stock from cottonseed oil by cottonseed oil manufacturers	30.2	1916–17.
Production of canned [illegible]	[6] [illegible]	[illegible]
Production of canned [illegible]	[6] 22	[illegible]
Production of canned [illegible]	[6] [illegible]	[illegible]
Production of canned [illegible]	[6] [illegible]	[illegible]
Production of canned [illegible]	[7] [illegible]	[illegible]
Total receipts of grain at Chicago	[8] [illegible]	[illegible]
Elevator capacity of Chicago and Kansas City	[8] [illegible]	[illegible]

[1] Not counting Chicago yards as controlled.
[2] Counting Chicago yards as controlled.
[3] Includes [illegible] Company not engaged in slaughtering in South America.
[4] [illegible]
[5] [illegible]
[6] Control of [illegible] the production.
[7] The three largest companies [illegible] Pacific-American [illegible] The production of [illegible]
[8] Armour [illegible] not engaged in this trade.

GROWTH OF FIVE PRINCIPAL PACKERS.

Estimated net profits.

	1904	1912	1913	1914	1915	1916	1917
Armour & Co.	$1,850,000	$5,702,000	$6,158,000	$7,640,000	$11,156,000	$22,849,000	[1]$27,137,000
Swift & Co.	3,850,000	8,745,000	9,449,000	9,651,000	23,387,000	24,195,000	47,236,000
Morris & Co.	....	1,813,000	1,917,000	2,206,000	2,321,000	4,890,000	8,012,000
Wilson & Co.	....	1,326,000	1,364,000	1,209,000	2,464,000	5,314,000	8,319,000
Cudahy Packing Co.	928,000	1,129,000	1,329,000	1,402,000	724,000	3,511,000	4,935,000
Total	....	18,715,000	20,217,000	22,108,000	40,052,000	60,759,000	95,639,000

[1] Not including South American business.

The profits for 1904 were taken from the report of the Bureau of Corporations made in 1905. The profits from 1912, through 1917, are estimated by the commission—the method being to take the net profit as published by the several packers, and add thereto items such as income taxes, surplus reserves, excess depreciation, etc., which should not properly be deducted from net earnings. The commission believes that these figures exhibit a more accurate statement of the earning power of the packers than their own published figures, but it is not in a position to certify to these results in any way. They may be regarded as a minimum statement of profits.

Sales.

[In thousands of dollars.]

	1904	1912	1913	1914	1915	1916	1917
Armour & Co.	....	263,307	349,897	354,801	380,157	479,969	[1] 577,366
Swift & Co.	200,000	300,000	400,000	425,000	500,000	575,000	871,276
Morris & Co.	....	134,430	165,909	158,983	177,040	219,781	268,792
Wilson & Co.	....	....	....	....	....	186,998	225,000
Cudahy Packing Co.	50,829	90,444	104,409	109,121	116,162	133,961	184,811
Total	....	....	....	....	....	1,595,709	2,127,245

[1] Not including South American business.

The sales for 1904 were taken from the Bureau of Corporations report. The other figures are as reported by the packers without adjustment of any kind. As "gross sales" nowhere appear on the packers' books, the accuracy of these purely statistical compilations is open to question.

Index of growth.

[Fiscal year 1912 taken as 100.]

ESTIMATED NET PROFITS.

	1904	1912	1913	1914	1915	1916	1917
Armour & Co.	32	100	108	134	196	401	476
Swift & Co.	44	100	108	110	267	277	540
Morris & Co.	......	100	106	122	128	270	442
Wilson & Co.	......	100	103	91	186	401	627
Cudahy Packing Co.	82	100	118	124	64	311	437
Total	......	100	108	118	214	325	511

Index of growth—Continued.

SALES.

	1904	1912	1913	1914	1915	1916	1917
Armour & Co.	......	100	133	135	144	182	219
Swift & Co.	67	100	133	142	167	192	290
Morris & Co.	......	100	123	118	132	163	200
Cudahy Packing Co.	56	100	115	121	128	148	204
Total	......	100	129	133	149	179	241

Wilson & Co. sales not available except for 1916 and 1917.

The CHAIRMAN. We are compelled to discontinue Mr. Colver's examination for the present, and the committee will now stand adjourned until to-morrow morning at the usual hour.

(Thereupon, at 1 o'clock p. m., the committee adjourned until to-morrow, January 9, 1919, at 10.30 o'clock a. m.)

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